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INTERNATIONAL



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Two Serbian soldiers guarding a UN soldier from Poland on Sunday, one of hundreds of peacekeepers held by Serbs.

Beijing Suspends Talks With U.S.

By Steven Mufson
Washington Post Service

BEIJING — China on Sunday suspended talks with the United States on the scope of missile technology and cooperation on nuclear energy, lashing out again over the decision to grant Taiwan's president, Lee Teng-hui, a visa to visit the United States.

In its sternest reaction yet to the permutation in U.S. policy toward Taiwan, the Chinese government put off a June visit by John Holmes, director of the U.S.

Arms Control and Disarmament Agency.

The latest Chinese retaliatory moves touch on an issue dear to U.S. policymakers, who have been eager to persuade China to stop missile sales to Pakistan or countries in the Middle East. U.S. negotiators have been pressing China to make public its past missile sales and appeared to have persuaded China to limit new sales.

Nuclear energy cooperation is limited because of U.S. restrictions imposed after the Chinese military crackdown on protesters on June 4, 1989.

In a brief report from the official Xinhua news agency, a Foreign Ministry spokesman charged that the visa for Mr. Lee "infringed upon China's sovereignty, violated the principles of the three Sino-U.S. joint communiqués and brought serious damage to Sino-U.S. relations."

China asserts that Taiwan is a province of the People's Republic of China and that the 1979 U.S. agreement to normalize relations with China meant that the United States would downgrade diplomatic relations with Taiwan, ruling

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France and Britain, although voicing outrage, appeared Sunday to have their hands tied in Bosnia.

Officials said that the hopes of both governments were pinned on a two-step process in which Russian intervention would free the scores of United Nations peacekeepers now held hostage by the Bosnian Serbs and clear the way for a redeployment of the peace forces with a view to limiting the risk of future humiliation.

"We're going toward smaller, more concentrated deployments because nobody wants any of the alternatives," a policymaker involved in Western consultations on Bosnia said Sunday.

The other options are stepped-up use of NATO military strength or the withdrawal of UN forces. European officials seem to have concluded that either course of action would escalate hostilities — the ultimately unacceptable alternative for Western governments, including Washington.

[Britain said Sunday that it would increase its deployment of troops to Bosnia as soon as possible and "utterly condemned" the seizure of British peacekeepers by Bosnian forces, Reuters reported from London.]

two NATO air strikes near their stronghold of Pale, took British soldiers captive at several UN observation posts near the eastern Bosnian town of Gorazde.

"The Bosnian Serb army is behaving like a terrorist organization," said Alexander Ivanko, a UN spokesman. It was the first time that the United Nations had referred to the Bosnian Serbs as terrorists, but this did not diminish the Serbs' apparent seizure of the political and military initiative.

The Serbs are now defying the two largest contributors of troops to the peacekeeping force — Britain and France. A total of 173 French troops are believed to be hostages or human shields in an attempt — successful until now — to deter further NATO military action. Eight Canadians were also detained Sunday.

European Union foreign ministers are due to meet in Brussels on Monday, and NATO foreign ministers in the Netherlands on Tuesday. It appeared unlikely that a decision on new NATO air attacks would be made before these meetings.

In the beleaguered Bosnian capital, Sarajevo, whose streets have emptied since shelling of the city resumed last month, the commander of UN troops in Bosnia, Lieut-

tenant General Rupert Smith, awaited political instructions Sunday from Western capitals on whether to attempt negotiation or use further force in order to secure the release of a total of 326 hostages. A UN official said 296 were UN soldiers and 30 were unarmed UN military observers.

"We have no problem with going either way — escalating or backing down — but we need some clear word," an official close to the general said.

General Smith, a British officer, spoke Sunday to General Ratko Mladic, commander of the Bosnian Serbs, and found him deeply irrational, the official added. General Mladic accused General Smith of breaking UN resolutions, being a pawn to the Bosnian government and bombing Serbian hospitals and schools.

The two generals had a particularly sharp exchange over the battle on Saturday between a Bosnian Serbian commando unit and French peacekeepers for control of an UN emplacement on Sarajevo's central Vrbanja bridge. The clash started

See BOSNIA, Page 7

Crisis in Bosnia Deepens As Serbs Add to Hostages

By Roger Cohen
New York Times Service

SARAJEVO, Bosnia-Herzegovina — Bosnia's crisis deepened on Sunday as its foreign minister was killed and Bosnian Serbs stepped up their humiliation of the United Nations by adding 33 British and 8 Canadian hostages.

Ivan Ljubijankic, 43, the Bosnian foreign minister, was killed when his helicopter was shot down by Serbian forces in Serbian-occupied Croatia, government officials said. The United Nations said the helicopter was downed by a missile.

Rebel Serbian forces in Croatia admitted that they had shot down the Bosnian helicopter near the Bihać enclave. A rebel Serbian statement said the helicopter was fired on near the Bosnia-Croatia border early Sunday because it was violating the "airspace" of the self-styled Serbian republic of Krajina in Croatia.

Mr. Ljubijankic was one of three co-presidents of the governing Muslim Nationalist Party of Democratic Action. His death came as separatist Serbs, apparently emboldened rather than cowed by

two NATO air strikes near their stronghold of Pale, took British soldiers captive at several UN observation posts near the eastern Bosnian town of Gorazde.

"The Bosnian Serb army is behaving like a terrorist organization," said Alexander Ivanko, a UN spokesman. It was the first time that the United Nations had referred to the Bosnian Serbs as terrorists, but this did not diminish the Serbs' apparent seizure of the political and military initiative.

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Outraged West: Looking to Save Face

By Joseph Fitchett
International Herald Tribune

PARIS — France and Britain, although voicing outrage, appeared Sunday to have their hands tied in Bosnia.

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Bosnia-Herzegovina and to try to convince them to end hostilities to avoid further NATO air strikes."

Mr. Juppé, often sounding defensive in a television interview Sunday, opposed more NATO air strikes of the sort that France supported last week until the houses were taken. "We'd be better off without any more of them now that we've seen what they cause," he said.

The fundamental reality of Western policy in Bosnia, he said, was that no outside party is ready to use force to take back the Bosnian Serbs' gains — not Europe, not the United States, not Russia.

A fiasco in Bosnia will be the worst blow yet to the United Nations' claim to be able to command military units, even for peacekeeping. But NATO and the United States will also be damaged by a surrender to the latest acts of the Bosnian Serbs.

A move to pull back the UN peacekeepers into a tighter circle around the Bosnian capital, Sarajevo, would expose the outlying Muslim-populated enclaves in eastern Bosnia to being overrun by Bosnian Serb forces.

Russia's foreign and defense ministers were still in Moscow Sunday. Agence France-Presse quoted a Foreign Ministry spokesman as saying. Earlier, Prime Minister Viktor S. Chernomyrdin said Russia, in response to requests by European governments, was sending the two men "to meet the leaders of the warring parties in

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AGENDA

Peres Calls Golan Syrian Territory

TEL AVIV (AP) — Foreign Minister Shimon Peres said Sunday that the Golan Heights was Syrian territory, in a campaign to prepare Israelis for withdrawal from the area.

Officials spoke of a growing consensus in Prime Minister Yitzhak Rabin's cabinet over the "heavy price" that must be paid for peace with Syria.

Mr. Peres was quoted as telling King Hassan II of Morocco in weekend talks: "The Golan Heights is Syrian land."

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THE AMERICAS

8 Billion Cigarettes Recalled

BUSINESS/FINANCE

Dollar Again at the Precipice

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FLYING AT INDY — The legs of Stan Fox dangling from his car during a first-lap crash Sunday with Eddie Cheever at the Indianapolis 500. Jacques Villeneuve won the race after Scott Goodyear was penalized. Page 21.

Thousands Trapped as Quake Hits Russian Isle

By Lee Hockstader
Washington Post Service

MOSCOW — A powerful earthquake rocked a large island off Russia's Pacific Coast on Sunday, flattening a remote oil-producing town and trapping several thousand residents beneath collapsed apartment blocks.

It was unclear from sketchy reports reaching Moscow how many people had died in the quake measuring 7.5 on the open-ended Richter scale, which struck the town of Neftegorsk on the Russian island of Sakhalin in the middle of the night.

Russian officials said most of the town's population of about 3,200 people had been buried in the rubble of five-story apartment buildings. By Sunday evening 70 bodies had been recovered from the debris as rescue efforts gathered speed, officials said. Hundreds more were believed injured.

President Boris N. Yeltsin asked for updates on the disaster every 30 minutes, according to Russia's first deputy prime minister, Oleg N. Soskovets. Mr. Soskovets, who was coordinating the crisis response in Moscow, was to fly late Sunday with a team of officials to the scene of the disaster, located eight time zones and more than 6,500 kilometers (4,000 miles) east of Moscow.

"I think this is the worst earthquake ever in Russia," Mr. Soskovets told Reuters news agency in Moscow. "It is a calamity. Judging by the nature of the destruction and the potential number of victims, it looks like the most terrible."

Raisa Mikhailova, a municipal spokeswoman in the district center of Okha in northern Sakhalin told The Associated Press that at least several hundred of the 3,000 or so people who were buried in the earthquake were saved by rescue teams or escaped to safety.

The quake's epicenter was about 145 kilometers south of the town of Okha in northern Sakhalin, along the coast. The Emergency Situations Ministry said, Neftegorsk is about 70 kilometers south of Okha. There were reports of some damage.

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A New Stadium Activity: Revivals for Christian Men

By Laurie Goodstein
Washington Post Service

WASHINGTON — More than 52,000 men paid \$55 a piece for a seat at RFK Stadium and the secrets to becoming a successful modern man: Don't cheat on your wife or taxes, bug other men, kiss the children, read the Bible at bedtime and invest in God.

A burgeoning Christian men's movement called Promise Keepers has made saving souls a masculine pursuit — especially for men inclined to believe that church is the province of women and children.

Promise Keepers packed RFK Stadium

here for 13½ hours of preaching, praying and hymn singing on Friday night and all day Saturday; the group expects to draw half a million men to stadium-sized events in 13 cities this year.

"You don't come here and feel like you're losing your masculinity because of your faith," said Tom Berlin, 31, pastor of a Methodist church.

Surveying the crowd, Mr. Berlin marveled that every small worship group he has started in his church drew about 10 women and two men; he had had no trouble rounding up 15 men for the Promise Keepers weekend.

"Here, you come hear male role models,

real men," Mr. Berlin said. "Most men are looking for role models, for heroes."

Promise Keepers has caught on like a tent revival in summer since Bill McCarty, the former University of Colorado football coach, and a friend first envisioned packing sports stadiums with men rooting for Jesus to seize their souls.

The first conference in Boulder, Colorado, in 1991 drew about 4,200 disciples. It remained a Colorado event until last year, when Promise Keepers visited seven cities, attracting 278,000 men.

This year, the group has already sold out tickets to seven of its 13 events. The Washington weekend was the first, and only event scheduled for the East Coast.

Until now, Promise Keepers has been a bigger phenomenon in the South and the West, strongholds of conservative, evangelical Christianity.

Few religious revivals have such reach. The event here drew lunch-bucket men and expense-account men, white carpenters and black accountants, teenagers and grandfathers. They wore ponytails and biker rings, cowboy boots and sandals. They arrived by subway and motorcycle, in charter buses and minivans.

"You come here empty. You come here confused," the evangelist Luis Palau told the crowd, his image projected on screens.

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Newstand Prices	
Andorra	9.00 FF Luxembourg...60 L Fr
Antilles	11.20 FF Morocco...13 Dh
Cameroon	E. 100 CFA Qatar...8.00 Riels
Egypt	9.00 FF Réunion...9.20 FF
France	9.00 FF Saudi Arabia...9.00 P
Gabon	850 CFA Senegal...500 CFA
Greece	350 Dr. Spain...225 Ptas
Italy	2,600 Lire Tunisia...1,250 Din
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THE AMERICAS

8 Billion Cigarettes Recalled by Maker

By Sharon Walsh
and Curt Suplee
Washington Post Service

WASHINGTON — Philip Morris Cos. has recalled 8 billion cigarettes — including the most popular brand sold in the United States, Marlboro — saying that a contaminant in the cigarettes' filters had produced a toxic chemical that is used as a pesticide.

Philip Morris's president, James J. Morgan, said it was possible that the contaminant had not reached any cigarettes later distributed to retail outlets.

But because the company could not be certain of that, he said, it had decided to recall all of the brands involved and will refund customers' money.

The chemical, methyl isothiocyanate, or MITC, may cause eye, nose and throat irritation, dizziness, coughing or wheezing. Marlboro is also one of the largest-selling brands overseas, but the company said none of its cigarettes sold internationally had been affected.

The company, which makes a billion cigarettes a day in the United States, said it was the first time it had ever issued a recall, and analysts said they could not remember another recall in the industry.

Other Philip Morris brands involved include Benson & Hedges, Merit, Virginia Slims and Basic.

Employees of Philip Morris first noticed an unusual odor coming from the raw materials used to make filters in its plant in Cabarrus, North Carolina, on May 19, according to Richard Carchman, director of scientific affairs for the company.

The company's other two factories, in Louisville, Kentucky, and Richmond, Virginia, were notified, shut down and cleaned out after the discovery, he said.

All cigarettes already produced were held at the plants instead of being sent to wholesalers and retailers.

"We were just barely able to measure the MITC," Mr. Carchman said. "It was an infinitesimal amount. But as a precautionary matter, we decided to pull back all the materials we'd sent out in the last week or two."

Mr. Carchman said that even if the chemical had not been one that would irritate smokers' eyes and noses and cause coughing and wheezing, the company would have recalled the cigarettes because those containing the substance would taste and smell bad.

But, according to an August 1994 paper in the medical journal Chest, "since MITC may cause irritant effects at levels below the odor-detection threshold, odor detection is not a reliable marker of exposure."

Denise Keane, Philip Morris's general counsel, said there had been no signs of illness or complaints from consumers.

The contaminant was brought into the company in raw material bought from Hoechst AG's U.S. Celanese unit, an outside vendor to Philip Morris, officials said.

Rebecca H. Barfield, CS First Boston Group financial analyst who follows Philip Morris, estimated that the recall would cost the company \$250 million or more. Philip Morris's stock fell \$2 Friday, closing at \$69.875 on the New York Stock Exchange.



GLENDA KARWIN/The Associated Press

FLOOD THREAT — Volunteers and prison inmates reinforcing a levee in Meredosia, Illinois. As rain fell and the Illinois, Missouri and Mississippi rivers continued to rise, residents in some parts of the Midwest were evacuated.

Away From Politics

• Americans spent some \$49 billion on illegal drugs during 1993, 23 percent less than the \$64 billion they spent in 1988 — largely because of a decline in outlays for cocaine and heroin — according to a study prepared for Lee P. Brown, the national drug policy director for President Bill Clinton. (WP)

• A man who threw a 30-pound bucket of a roof in New York, killing a housing police officer in 1993, was sentenced in the State Supreme Court to 5 to 15 years in prison. Pedro J. Gil, 23, expressed remorse, saying that he had no mean to kill John Williamson, 25. (NYT)

• Two pre-med students at Harvard University died and a visitor was wounded. (AP)

• A tour bus returning to Atlanta from Biloxi, Mississippi, collided with a car and overturned near LaGrange, Georgia, killing the car's driver and injuring 39 people, hospital officials said. (AP)

• Faced with a \$3.8 million deficit and an order to rein in spending by 40 percent, the National Association for the Advancement of Colored People will cut staff and may close some of its offices, according to the association's new chairwoman, Myrlie B. Evers-Williams. (AP)

Republicans Hope Success Breeds Success

By Adam Clymer
New York Times Service

WASHINGTON — In their five months in control of Congress, the Republicans have lost only one big vote that they expected to win, when the Senate resisted the balanced-budget amendment. Yet, this city is constantly alert for signs of disarray and division, wondering if the moment of collapse is at hand.

Not to worry. Or, if your sympathies are with the Democrats, not to hope.

As they left for Memorial Day parades, presidential campaign fund-raisers and any potential crosses between the two (like Newt Gingrich's New Hampshire Moose Watch), Republicans at both houses could boast of their budget resolutions.

The House of Representatives and the Senate had passed similar documents aimed at undoing much of what the federal government had become since the New Deal, and at balancing the budget in the year 2002.

The two chambers may not be in lockstep on tax cuts, and there may be some uncertainty about how broadly to exert congressional authority over details of foreign policy, which Republican presidents used to tell Democratic Congresses not to mess with. But these are minor compared with the remarkable unity Republicans continue to show.

In the House this month all but one of the 231 Republicans voted for the budget resolution, joined by eight defecting Democrats. In the Senate, the 54 Republicans were unanimous, and three Democrats defected from their party to join them.

The House brooked no amendments at all, and in the Senate only three significant ones were adopted on the floor. One, with a majority of Republicans joining all but three Democrats, restored 90 percent

of a cut in medical research money.

A second defended subsidized student loans.

The third, which defeated a plan to kill off public financing of presidential elections, was an example of how Republicans can get into trouble by being cut.

The scheme, a hobbyhorse of Senator Mitch McConnell of Kentucky, was never considered in hearings and ran into a buzz saw of opposition from the League of Women Voters, Common Cause and 10 Republican senators who recalled their president's Watergate scandal, which produced the public financing law in the first place.

Ideas even more startling flourish in the House, where half a day is considered adequate to hear testimony on amending the Constitution and 40 years out of power have created an atmosphere in which idle chatter is sometimes mistaken by the new majority for serious policy discussion.

Sending an envoy to Tibet to negotiate its freedom from Beijing is one such concept.

But the travails of these excursions, whether amusing or dangerous, are no measure of success. The test is the Republicans' ability to cut spending, especially on programs that are unimportant to its constituents.

The Democrats, especially in the Senate and the White House, have become better at challenging the Republicans.

President Bill Clinton's threat to veto a bill that would take back money already approved for spending this year was the sort of firmness his colleagues on Capitol Hill hope for just as his meandering on New Hampshire radio about balanced budgets was what infuriates them.

House Democrats are having more trouble making an impact. Senate rules glorify and empower minorities, but House rules can be used to quash

them. And just as Senate Democrats learned the effectiveness of delay from Bob Dole's Republicans, Mr. Gingrich and his colleagues learned from House Democrats how to ignore the minority.

House Democrats did not learn from Mr. Gingrich how to be noisy and effective even while being steamrolled, although they have taken to filing a series of ethics charges against him, as he did against an earlier speaker, Jim Wright.

Many in Washington cherish the thought that Republican

failure in Congress is inevitable, even if no one knows just where it will come, or when.

And from the start, the Republicans themselves have acknowledged that the next part of the agenda, actually cutting spending, will be harder than just promising to.

They may run into a brick wall yet if Mr. Clinton's will voices proves as strong as his language. But so far, as Thomas E. Mann of the Brookings Institution observed: "Success breeds success. That has a way of keeping the troops together."

apparently in a murder-suicide in a dormitory. The police said Sinedu Tadesse, 20, of Addis Ababa, Ethiopia, fatally stabbed her roommate, Trang Ho, 20, of Medford, Massachusetts, before apparently hanging herself. (Reuters)

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Researchers Consider a New Step in Treating Drinkers

By Lisa W. Fodderaro
New York Times Service

NEW YORK — He was in his mid-20s, an age when drinking until the small hours with a bunch of friends weekend after weekend is still called partying rather than alcoholism.

And can recovering alcoholics go back to drinking at a moderate level?

Among professionals in a field still considered more art than science, the questions have stirred a vigorous debate about the proper way of treating drinkers.

In one of the first efforts of its kind, the Center of Alcohol Studies, a research institute at Rutgers University in Piscataway, New Jersey, recently established a treatment program to help alcohol abusers reduce their drinking through short-term counseling sessions known as "brief interventions."

And a new self-help program called Moderatio Management has set up chapters in a half-dozen communities, from Los Angeles to Hicksville, New York, offering guidelines and support to people who, like the security technician, want to curb their drinking rather than stop it.

Many experts who are challenging the one-size-fits-all treatment philosophy point to recent studies in Europe and the United States that show the success of brief outpatient treatment programs that do not require abstinence.

Dr. Frederick Rotgers, an assistant research professor and director of research protocols at the Rutgers center, said:

"Unfortunately, in this country, for many, many years we've talked about people with a drinking problem but a drinking down has been anathema."

People with milder drinking problems who did not meet the two major criteria for alcoholism — high tolerance and signs of withdrawal — were either classified as incipient alcoholics and put into inpatient programs, or got no help at all.

The prevailing view was and largely still is: once an alcoholic, always an alcoholic.

But now some researchers

are challenging the one-size-fits-all treatment philosophy point to recent studies in Europe and the United States that show the success of brief outpatient treatment programs that do not require abstinence.

Dr. Frederick Rotgers, an assistant research professor and director of research protocols at the Rutgers center, said:

"Unfortunately, in this country, for many, many years we've talked about people with a drinking problem but a drinking down has been anathema."

"Amoog dyed-in-the-wool 12-step followers, it is heresy," he added. "Amoog pragmatic people who are reading the scientific literature, it is no longer heresy."

He was referring to AA's program of abstinence, which is based on a 12-step approach.

Other experts, though, worry that the moderation movement may go too far, giving true alcoholics an excuse to keep on drinking.

"In general," said Dr. Daniel K. Flavin, "it's not a good idea

under any circumstances to encourage an alcoholic to moderate, or the heavy drinker whose natural history would be to go to alcoholism. How do you tease those people out?"

Dr. Flavin is the medical and scientific director of the National Council on Alcoholism and Drug Dependence.

The Rutgers center aims at people who fall somewhere between light drinkers — those who consume up to three drinks a week — and alcoholics. They include people who have been

arrested for drunken driving, those who are experiencing strain in their relationships or about the health risks of drinking too much.

Through an assessment that includes neurological tests, blood tests and detailed questions about drinking behavior,

Rutgers first tries to show patients how their drinking compares with national norms and then points out the risks of continuing that level of consumption.

POLITICAL NOTES

Rollins Quits as Dole Consultant

WASHINGTON — Ed Rollins, a political consultant, has resigned from Senator Bob Dole's presidential campaign after calling two Jewish congressmen "Hymie boys."

"I can confirm to you that Ed Rollins has left," a spokesman for Mr. Dole, the Senate majority leader, said Sunday.

Mr. Rollins had spent less than a month as an unpaid political adviser to the Dole campaign. Mr. Rollins made the remark at a party this month for the California Assembly speaker, Willie Brown.

Two years ago, Mr. Rollins sparked an uproar when he claimed he had paid off black ministers during the New Jersey governor's race. Mr. Rollins later said he had fabricated the story.

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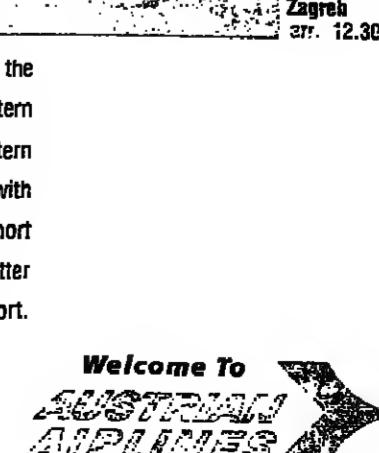
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40	230
44	14,000
41	14,500
33	14,500
34	900
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48	185

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Q & A: The WTO Is Ready to Act

The trade dispute between the United States and Japan over cars and car parts has been portrayed by its critics as a threat to the effectiveness and credibility of the new World Trade Organization, which is just five months old. Renato Ruggiero, the director-general of the WTO, discussed the U.S.-Japan conflict and other trade issues with Alan Friedman of the International Herald Tribune.

Q. Washington's threat of \$5.9 billion of punitive tariffs has triggered an international fight. You have met last week with Mickey Kantor, the U.S. trade envoy; Japanese trade minister Ryutaro Hashimoto, and Sir Leon Brittan of the European Union. Where are we headed?

A. In the U.S.-Japanese dispute, there is an element that is very important, and that is the acceptance of dispute settlement under the WTO. The United States told us they would file a complaint to the WTO. And Japan came to see us as well. And what is even more important is that Ambassador Kantor has told me the U.S. will comply with WTO rulings.

Q. But do you see a bilateral deal being done or a multilateral solution through the WTO?

A. There is nothing wrong with a bilateral solution being achieved. But I have

to work in an honest way, without taking sides, in a neutral way to help improve the climate and to assure both sides that our organization is ready to help find a way for any bilateral solution to be consistent with the multilateral setting.

Q. What have you told the U.S. and Japanese governments, then?

A. I have told them both that this can be a win-win situation because we can both settle the case in question and strengthen the multilateral trading system.

Q. Sir Leon Brittan has claimed the U.S. sanctions threat is illegal, and he has threatened to bring a challenge to the WTO if the U.S. and Japan agree a deal that Europe feels discriminatory. What do you think of Europe's position?

A. This question is sub judice. My role is to avoid any comment.

Q. And what is your view of the likely outcome of the U.S.-Japanese dispute?

A. I do not want to be optimistic or pessimistic. What I want to say is that it is very important that the WTO will in the end be making a binding judgment. The WTO is ready to act, and that can have a deterrent effect, to encourage governments to end their disputes as soon as possible.

Q. There has been much controversy about China's wish to join the WTO quickly, and concerns in the United States that China should not be allowed in until it drops certain import barriers and makes concessions. What do you think about China joining?

A. The world trading system without China and Russia is not really a trading system, but only part of a trading system. We must have them both inside. But this is a complicated situation because China comes from a different economic system and has to adjust rapidly to market conditions. I think it will happen.

Q. Looking ahead, what is your agenda for the WTO?

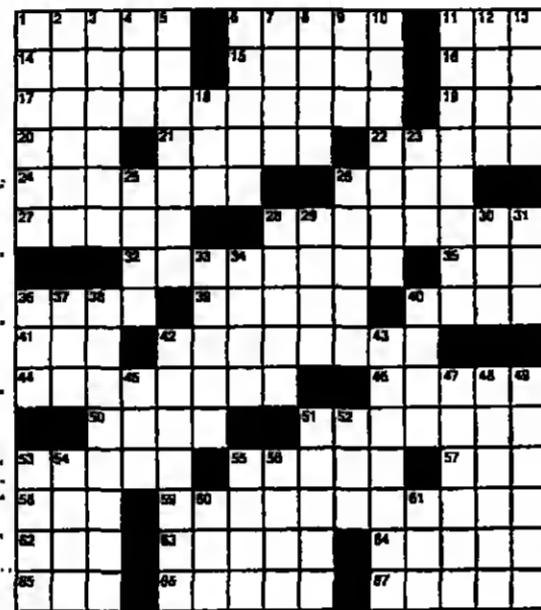
A. There are a number of priorities, including our first one, which is to negotiate the liberalization of financial services before June 30. I would hope to finalize this negotiation with a multilateral settlement. Then there are the important items of trade and the environment, trade and competition policy, and trade and labor standards that will be discussed. It will also be important to look at the question of achieving an international investment regime, which has been started already.

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EUROPE

After 50 Years, Germans Not Yet AbsolvedBy Stephen Kinzer
New York Times Service

BERLIN — Emerging from a month of 50th-anniversary ceremonies recalling the end of World War II in Europe, Germany has received much praise for the frankness with which it is facing its Nazi past.

In ceremonies at concentration camps and battlefields, and at the observance of the German surrender, politicians proclaimed their sense of shame and responsibility, and foreign leaders hailed Germany's willingness to confront the horror in its history.

But also during the last month or so, several disturbing episodes have served to remind Germans that history has not yet forgotten or absolved them.

Each of the incidents is small in itself. Taken together, especially against the background of the many memorial events, they illustrate the difficulties of dealing with an evil that is both enormous and so recent.

In April, religious groups seeking to honor the memory of Dietrich Bonhoeffer, an anti-Hitler theologian, found to their astonishment that he is still legally considered a traitor to Germany. Mr. Bonhoeffer

was arrested in 1943 after calling Hitler "the Anti-Christ" and urging fellow clergymen to oppose the Nazis. He was tried and executed.

In 1951, a Munich court refused to grant Mr. Bonhoeffer a posthumous pardon, ruling that his sentence was legal under laws of the Nazi era. A member of Parliament recently demanded that the case be reopened, but the courts have not responded.

"In the years since 1945, we have failed to confront the Nazi legal system, much less rectify its injustices," Justice Minister Sabine Leutheusser-Schnarren-

berger conceded in a speech after the Bonhoeffer case came to light.

Also in April, the retired dean of a university in Aachen, Hans Schwerte, was forced to admit that he had changed his name after the war to avoid being recognized as a former SS officer who, while serving in the Netherlands, procured medical devices to be used in barbaric experiments on inmates at the Dachau concentration camp. He confessed his past only after being investigated by a Dutch television team.

In a similar case, a 71-year-

old candidate for the state legislature in North Rhine-Westphalia, Wilhelm van Schmelting, confessed at a forum that he led a Nazi execution squad in France in 1944. He said many of his neighbors knew of his past but did not consider a reason for him to avoid seeking public office.

Anniversary ceremonies have also led to the discovery that in several German cities and towns, Nazi leaders are still listed as "honorary citizens."

After newspapers reported this, Baden-Baden removed Hitler's name from its list. In the Bavarian town of Plattling, the 1995 official book listing honorary citizens was found to include listings for "Adolf Hitler, Reich Chancellor," and "Heinrich Himmler, SS-reichsführer."

Early this month, one of the best-known German Holocaust researchers, Anna Rosmus, who left her home town and immigrated to the United States in 1994 after receiving a flood of threats and insults from townspeople, returned to Passau for a memorial service she had organized. For the event, Miss Rosmus had located more than 100 U.S. veterans of units that occupied Passau at the end of the war, as well as former inmates of concentration camps in the area.

No official representative appeared at the service, and the local press paid it little attention. The only official act commemorating the 50th anniversary in Passau was the laying of a Star of David in a local cemetery. It was removed after local Jews complained that it was inappropriate at a cemetery where more than 100 SS veterans, including a general, are buried.

Passau's mayor, Willi Schmöller, said he viewed the cemetery as a place of mourning for all Holocaust victims. Asked if he considered an SS general to be a Holocaust victim, Mr. Schmöller said: "From this distance, I can't judge. It's up to historians to research details like that."

EU Set to Take Possession Of Its New Headquarters

BRUSSELS — The European Union takes possession Monday of its new headquarters, the first time the bloc's Council of Ministers has actually owned its own home.

The gray-pink granite-clad monolith, resembling a giant blockhouse, cost 13.5 billion Belgian francs (\$455 million) and towers over the Robert Schuman roundabout in the heart of the Euro-quarter of Brussels.

For eight months every year, it will be home to all EU ministerial meetings as well as hosting the daily gatherings of officials. The building also houses the secretariat's 2,500 staff and has facilities for 1,000 reporters. Great pains have been taken to ensure that they can get nowhere near their quarry — the ministers. (Reuters)

Farm Talks Are Scheduled

BRUSSELS — European Union farm ministers will meet Monday to discuss plans to change the way farmers are compensated for losses due to currency turmoil, but they may put off a decision until next month.

Officials said the new president of the farm council, Agriculture Minister Philippe Vasseur of France, will first want to make contact with ministers and sound out their positions.

A decision is needed before a revaluation of the Belgian franc green rate on June 25. Green rates are used to convert EU farm subsidies, calculated in European Currency Units, into local currencies. The European Commission has warned that a 3 percent revaluation would trigger compensation of more than one billion Ecu (\$1.3 billion) to farmers. (Reuters)

Norwegians Cooler on EU

OSLO — Norwegian support for joining the European Union has fallen even more in the six months since the country rejected membership in

a referendum, a survey published here indicated. The opinion poll, published Saturday in the daily *Arbeiderposten*, showed that 56 percent of the 607 people questioned opposed membership, while 34 percent were in favor and 11 percent undecided. The figures total 101 because the percentages have been rounded up.

Norwegians rejected membership by a vote of 52.2 percent to 47.8 on Nov. 28. (APF)

Belgians Meet on Cabinet

BRUSSELS — Belgium's King Albert asked the outgoing prime minister, Jean-Luc Dehaene, on Sunday to form a new coalition government, the press agency Belga reported.

Mr. Dehaene, a member of the Flemish Christian People's Party, accepted the agency added. The king started consultations with the leaders of Belgium's political parties last Monday, following a general election on May 21.

Political analysts said they expected the new coalition to be made up of Christian Democrats and Socialists. The center-left parties survived the election virtually unscathed. (Reuters)

Calendar

European Union events scheduled for Monday:

BRUSSELS: EU foreign ministers meet under the presidency of the new French foreign minister, Hervé de Charette, to prepare for the EU summit meeting scheduled for June 26-27 in Cannes. Talks are due to last through Tuesday.

PARIS: EU Transport Commissioner Neil Kinnock will meet Transport Minister Bernard Pons of France.

VIEENNA: Monika Wulf-Mathies, regional policy commissioner, meets with Austrian Chancellor Franz Vranitzky and Secretary of State Brigitte Ederer.

Sources: Agence Europe, AFP.

Juppé Says Jobs Outrank French Deficit

PARIS — Prime Minister Alain Juppé said Sunday that he was prepared to let the budget deficit initially rise, even if it had repercussions for the value of the franc, to achieve his goal of reducing unemployment.

But he stressed that his government would cut the deficit in time to be ready for a projected single European currency in 1998. Unemployment in France, at a near record of 12.2 percent, is among the highest in industrial nations.

Mr. Juppé, in a television interview, again left open the question how his government was going to finance its ambitious program to create work, help housing and cut charges. He said a mini-budget would be presented in July, after France's municipal elections.

"Today, after having kick-started the engine of exports — which are holding up very well — the engine of investments — that are going better — it is now time to start the engine of consumption," he said.

He added, "I will not renounce my No. 1 preoccupation, on which I said in my political speech that I want to be judged — that's employment."



ARMS AND THE CHURCH — A Lithuanian priest blessing soldiers during an oath-taking ceremony in Vilnius.

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Gauging U.S. Aid to Russia

What if the United States now ended its foreign aid to Russia? Russia's brutal war in Chechnya is a heavy burden for anyone in Congress who wants to defend aid. The conflict between the United States and Russia over its misguided intention to sell nuclear reactors to Iraq is another. Beyond that, the stories about super-rich Russian tourists splashing wads of \$100 bills on the French Riviera are hard to ignore. If America ended its foreign aid to Moscow, would that make any difference?

This year the United States will provide more than \$500 million to Russia. About \$200 million is Nunn-Lugar money, which helps to pay the cost of dismantling the nuclear weapons that used to be aimed at the United States. Those funds serve American interests directly. Another \$340 million goes into various kinds of technical and economic assistance, with varying degrees of usefulness.

Since the Soviet Union disintegrated, Western economic help to the Russians has been in general little and late. One perceptive watcher, the Swedish economist Anders Aslund, observes that the most important kind of foreign aid to the new Russia has been technical advice. It has played a big part in Russia's privatization of its economy. But the case for broad

economic aid has become less persuasive. The Russians are through the first shock of the transition to a market economy. There has been no collapse, and signs of recovery are increasingly clear. Perhaps there was a period, immediately after Russia became independent, when generous financial aid from the United States might have done a lot to draw it much more rapidly toward the West. But if that large opportunity ever existed, it has faded.

At this stage, there remains a case for three kinds of aid. The funds for nuclear arms control and disarmament are well spent. Next, American advice in building the institutions of a free economy in Russia — a central bank or stock markets — is proving valuable and ought to be continued. Much of this advice is coming through private channels, although some of it requires public money. Finally, educational exchanges and the education of young Russians at U.S. universities are effective and produce long-lived benefits to both countries for a small investment.

But these are all sharply limited kinds of foreign aid, none of which involves large amounts of money even by the present standards of stringent budgets. They are the kinds of aid that can be justified.

—THE WASHINGTON POST

Let's Hear From Clinton

Except for his tactically inept proposal to balance the budget in 10 years, President Bill Clinton has played the budget game pretty cannily for a person who lacks the votes to impose his will on Congress. Debate driven by the warring ambitions of Bob Dole, Phil Gramm and Newt Gingrich has brought the brutality of the Republicans' plan into full view.

But voters will eventually demand more of their president than just deficits or a clever re-election strategy. Mr. Clinton will have to present a principled reason why they should care if he wins re-election. He must answer then, definitively, whether he agrees with Gingrich et al that the budget must be balanced soon and, if so, at what pain.

Mr. Clinton's best plan might also be the most honest approach for a Democrat. He can assure voters that he believes deficit reduction is not the only fiscal policy that matters. Balancing the budget by piling up working people or eviscerating public investment makes no sense.

The purpose of eliminating deficits is to cut federal borrowing that siphons money from corporate investment. But it accomplishes little to pump up private investment by knocking down public investment in infrastructure, training, education and research. Mr. Gingrich may see little outside the military and law enforcement that the government does well. But most Americans are not so doctrinaire.

America can have declining deficits, compassion for the poor and public investment. It would take sizable cuts in military hardware and corporate subsidies coupled with reform of the health care industry to achieve these goals.

What has been missing is presidential leadership to show the public that the Gingrich/Gramm highway will not lead to the twin destinations of a fair, healthy economy and an effective government.

Mr. Clinton's budget raises Pentagon spending and shies away from reforming Medicare and Medicaid, the federal pro-

grams most responsible for escalating deficits. He protected corporate subsidies, even though his Labor secretary brought the wasteful giveaways to the nation's attention. Political survival forced Mr. Clinton to meet Republicans part way by proposing to cut taxes by about \$70 billion, money better spent on deficit reduction or education and training programs.

The Republicans, to their credit, devolved on their campaign promise to balance the budget in seven years. But their evasions are still stunning. They propose budget cuts but fail to propose specific reforms of the program or of the health care system to achieve the savings.

Without reform, the budget cuts would ruin health care for the elderly and saddle everyone else with steeply higher insurance premiums. With reform, the GOP would achieve savings, but much too slowly to balance the budget in seven years. Here's where Mr. Clinton's brief flirtation with a longer horizon makes sense. Done correctly, entitlement reform will rack up large savings, but the deficit impact might be years away.

The Republicans sought to purchase votes by promising huge tax cuts — \$350 billion in the House plan, implicitly \$170 billion in the Senate plan. They are designed to do little for investment and growth but a lot to trigger consumption that the economy does not need. To pay for these beguiled tax cuts, the GOP would hock away at the country's science and technology infrastructure.

Mr. Clinton has identified these Republican missteps, but said nothing about how he would do better. Even with his limited political strength, he can tip the balance toward sanity and humanity. He can write a more honest budget that reflects what he believes the country truly needs. He still has the chance to enter the fray on the side of sensible deficit reduction and humane spending of whatever it has made about tax cuts and smaller government.

—THE NEW YORK TIMES

Science's Dwindling Funds

Cutting the funds for scientific research and technical development is difficult because they have no natural limits. More knowledge is almost always better. Cuts almost always risk future economic growth. As Congress works on next year's budget, it needs a sense of priorities to guide the diminished spending on research and development.

The United States currently invests about \$160 billion a year in R&D, a formidable effort. Slightly less than half of it is federal money, and most of the rest comes from industry. There are many smaller, although crucial, contributions from universities and foundations. But that total amount has not changed significantly since the mid-1980s, and in proportion to the size of the U.S. economy, it has been slowly declining. Now the decline is accelerating. It is not only the cuts in the federal budget. As The Wall Street Journal recently reported, industry also is reducing its support — and sharply. Over the past several years, premier corporations in the high-tech fields have diminished their R&D spending substantially.

How much should the country spend? What is needed is a general principle to measure adequacy. Experience suggests two. One is the competitiveness of the American economy in the world. Anxiety about U.S. competitiveness seems to have

gone out of fashion, perhaps a bit too soon. The new ability of American products to compete is partly owed to the fall of the dollar's exchange rate, an advantage that will prove only short-lived. To the extent that the new efficiency is owed to cost-cutting at the expense of companies' R&D, that may also turn out to be rather temporary. There seems to have been no significant slackening of R&D effort in the other advanced industrial countries.

Another criterion of adequate funding is whether it draws enough young scientists into the essential fields. A study last year by the National Research Council pointed out that in 1985 young scientists — people under 37 — submitted 3,040 applications for research grants to the National Institutes of Health, and one out of every three was successful. In 1993 young scientists submitted only 1,389 applications, and just over one out of every five was successful. Maintaining the continuity of talent and progress in the laboratories does not seem to be a consideration so far in the great struggle over the budget.

It is necessary to balance the federal budget, just as it is necessary to enforce corporate efficiency. But it also is necessary to accomplish those things in ways that do not jeopardize the country's future standard of living.

—THE WASHINGTON POST



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Cartoon by

Silly Plans
to Silence a
Policymaker

INTERNATIONAL

U.S. Looks on as Europe Ponders Next Move in Bosnia

By Steven Greenhouse
New York Times Service

WASHINGTON — The Clinton administration, which has been the loudest and most persistent voice in favor of air strikes against the Bosnian Serbs, has found itself sitting on

NEWS ANALYSIS

the sidelines as the European allies and the United Nations pondered hard choices about how to deal with Serbian retaliation.

Ever since Yugoslavia first began splitting apart during the Bush administration, the bottom line of American policy has been to minimize the risk for the United States. With peacekeeping troops from Britain, Canada, France and others on the ground and in the line of fire, those nations have the final say on any military action that could further endanger them.

The Europeans are torn as well between choices that all seem to be bad.

The new president of France, Jacques Chirac, took the lead for the alliance by sending a flurry of ambiguous signals, among them calling on the Serbs not to increase the violence, while authorizing French commanders to shoot back and call in NATO air strikes.

Canada, concerned about the fate of its soldiers taken hostage, reaffirmed the support it had only reluctantly given to the air strikes.

The U.S. defense secretary, William J. Perry, flew to London to consult with British officials after discussions in Italy with NATO. Secretary of State Warren M. Christopher consulted with NATO's secretary-general, Willy Claes, and diplomats here and in Europe considered their options.

But the U.S. role at the moment seems limited to some quiet-



Residents of Tuzla, who were paying respects to those killed in Thursday's shelling, scramble for cover as Bosnian Serbian artillery opens up again.

et urging of resolve and a low public profile. Having pushed for a course of action that has put peacekeepers at risk, there is no desire to see forcing its allies into any course of action that could cause more deaths.

President Bill Clinton made no mention of the conflict Saturday in his weekly radio address, and senior administration officials mostly stressed the extent to which decisions on the topic were out of their hands.

While the current crisis is certainly more painful to countries that see the television broadcasts of their soldiers under fire or in chains, it is proving em-

barrassing and a bit humiliating to the administration.

There had always been a contradiction between the overall goal of minimizing risks and other American goals in Bosnia, most notably the preservation of the relative calm around Sarajevo and the preservation of some of NATO's credibility after the United Nations had squandered its.

Watching the retaliation after having pushed for the air attacks, American officials found comfort mostly in reviewing just how bad the alternatives to their recommendations had been.

"We still think the air strikes

were the right thing," a senior administration official said. "Yes, the situation has deteriorated with the air strikes. But the situation was going to continue deteriorating if there were no air strikes."

The choices now boil down to offering concessions to the Serbs in return for the release of the hostages or far stronger bombing, an option advanced, but only quietly, by some American officials.

Some officials support sending in emergency NATO troops to free the hostages, take on the Bosnian Serbs and teach them a lesson. That runs the danger of making NATO a clear party in

the conflict. In addition, some European countries are arguing more than ever that the United States should contribute troops to such an effort, but Clinton administration officials insist that that option is not under consideration.

Whatever happens in the next few days, the United States and its allies face the inextricable question of the future of the UN soldiers in Bosnia.

The United States, Britain and France have suggested in recent days that their mission should be expanded so they could more forcefully defend themselves and stop Bosnia's

Serbs or Muslims from flouting UN rules.

The administration has a strong interest in convincing its European allies to keep their contingents in place. If they, or the United Nations, decide to pull the troops out, the United States has pledged to send in thousands of American troops as part of a huge NATO force that would help cover such an evacuation.

But even on this most politically volatile of questions, some American officials acknowledge, it will be the British and French who call the shots on the future of the peacekeepers.

Los Angeles Times Service

LOS ANGELES — Isadore "Friz" Freleng, 89, who helped give life to a menagerie of such madcap cartoon characters as Bugs Bunny, Daffy Duck, Sylvester and Tweety Bird, and who also became the personification of Yosemite Sam, died Friday. He was 89 years old.

With Chuck Jones, Bob Clampett and Tex Avery, Mr. Freleng was a primal force in the history of the film cartoon, operating out of offices that the artist dubbed "Termite Terrace."

Mr. Jones said each of the four had had a special character.

"Friz's was Yosemite Sam," he said. "We would tease Friz that if he ever exploded, the result would be similar to what Sam did when he was angry."

At his death, Mr. Freleng had earned four Academy Awards plus a special Oscar for the

"The Pink Panther," a cartoon featuring the Pink Panther character that he had created.

Mr. Freleng began drawing for a living in his native Kansas City, Missouri, moving to Hollywood in 1927.

He worked for Walt Disney for two years before founding the Warner Brothers animation studio as head animator in 1930 along with Rudolf Ising and Hugh Harman.

Mr. Freleng animated the first Looney Tunes cartoon, "Sinkin' in the Bathub," in 1930, and moved from animator to director in 1933.

In that position he synchronized music and film in the "Merrie Melodies" series.

Edgar Scott, 86, a prominent investment banker who was husband of the socialite Hope Montgomery Scott, died of pneumonia on Friday in Radnor, Pennsylvania. (AP)

Isadore Freleng Dies, Created Film Cartoons

AMERICAN TOPICS

Communication Cup Holds Health Risks

Dipping a wafer into the Communion cup does not abolish the risk of infection to the communicant, but it is safer than sipping wine from a common cup, according to a study reported by Lawrence K. Altman, medical correspondent of The New York Times.

Anne LaGrange Loving, a professor of microbiology at Felician College in Lodi, New Jersey, undertook the study. The potential hazards from sipping communal wine have been the subject of religious debate and scientific investigation for more than a century.

Most wine used for Communion is fortified with a higher alcohol content than table wine to kill microbes, and ministers use other measures, too, to reduce the risk, Dr. Loving said.

She had 45 volunteers dip wafers into wine. They primarily did not wash their hands first, since communions have no opportunity to do so. Fingertips, wine and wafers were then tested for bacterial growth. All wine cultures grew bacteria, but the wine did not. The greatest risk was sipping from a common cup, followed by dipping the wafer by the minister and then dipping by the parishioner.

Although scientific and religious articles have described dipping the wafer into the wine as "completely safe," such statements were based on assumption, not on laboratory tests. Dr. Loving said in reporting her findings to the American Society for Microbiology.

Short Takes

Steven Spielberg, producer of "Schindler's List," is compiling a visual history archive to preserve the stories of Holocaust survivors. Two-hour interviews with survivors are being recorded. Once filmed, the tapes are shipped to Los Angeles, where they are bar-coded, catalogued and logged into a database. Mr. Spielberg calls the project "the most meaningful thing I've ever done."

Mike Tyson, the former heavyweight boxing champion, attended the graduation Saturday of his fiancée, Monica Turner, 29, from the Georgetown University School of Medicine. The ceremony was closed to the media to avoid what the school said had been "disruptive and disrespectful" press behavior at the 1991 graduation of William Kennedy Smith, a medical student facing sexual battery charges in Florida of which he was later acquitted. The independent Georgetown student newspaper supported the press ban, saying "friends and family of the graduates were pushed out of the way by media attempting to get a glimpse of Smith."

Three hours into deliberations, a juror at Wilma Baxter's shoplifting trial in San Francisco noticed something suspicious in a crucial prosecution evidence photo supposedly taken Nov. 22. The photo showed a newspaper covering six bottles of liquor allegedly stolen Nov. 29. The newspaper was published this month, May 10, advertising strawberries at a seasonal 69 cents a pound and displaying a Mother's Day advertisement. Prosecutors immediately dropped the case and said they were investigating where the photo came from.

International Herald Tribune

EUROPE: Saving Face

Continued from Page 1

it is not turning out that way," a Muslim diplomat said Sunday. Since no oil is at stake in Bosnia, he said, Western governments seem resigned to treating the Serbs as the regional power.

A U.S. official agreed that Western governments seem likely to abandon the ideal long defended at NATO, that air strikes should be intensified to intimidate the Bosnian Serbs.

In future, he said, NATO's role seems likely to be reduced to close air support to protect beleaguered UN forces.

That will be part of the price for a Russian success, which American officials said confidently Sunday was within Moscow's power, in obtaining the release of the UN soldiers held captive.

Meanwhile, France's demand for a redefinition of the peacekeeping mission, which the new government under President Jacques Chirac is presenting as its main break with previous policy, will carry overwhelming political weight.

The 3,000 French troops in Bosnia comprise the largest national contingent in the 23,000-man peacekeeping force. The Clinton administration, in particular, wants them to stay because it hopes to avoid a NATO mission to extract them, for which Washington has promised support, including ground troops.

Politically, the effect of falling back to a perimeter around Sarajevo would dash prospects of anything more than a symbolic state for Bosnia's Muslim-led government. That outcome has long been quietly viewed by the French and British authorities as the natural and inevitable result of Serbian predomiance.

European reactions focus as much on UN inaptitude as on Serbian actions.

BOSNIA: Crisis Deepens as More Hostages Are Taken

Continued from Page 1

when Serbs, disguised as blue-helmeted peacekeepers, took control of the post.

One French soldier was killed in an attempt to recapture it, and the United Nations said that four Bosnian Serbs were also killed. The Serbs abandoned the emplacement Sunday, but kept 10 captured French soldiers.

"General Mladić demanded an apology for the death of the Serbian soldiers, which of course General Smith was not prepared to give," the official said. "General Mladić seemed unable to grasp that the Serbs initiated the battle."

The Serbs have not complied with any of the conditions set in a UN ultimatum before the air strikes began. Rather than hand

over heavy weapons banned from the Sarajevo area, they have taken 200 more big guns and mortars from so-called UN weapons-collection points since the first NATO air strike.

The Serbs have cut off electricity, gas and water to Sarajevo since the NATO bombing last Thursday, and tightened their noose around the city. The one government-held road into town — a small mountain track — is being regularly fired at with heavy machine guns and mortars.

The worst single shelling incident of the war, in which 71 people were killed in the northwestern town of Tuzla last Thursday night, was followed Sunday by more Serbian shelling of the town. One person was killed and two wounded on a day when many mourners were

over heavy weapons banned from the Sarajevo area, they have taken 200 more big guns and mortars from so-called UN weapons-collection points since the first NATO air strike.

Mr. Ljubijankic, the Bosnian foreign minister, became the second member of the government to be killed since the war began in 1992. In January 1993, Hajka Turajlic, the deputy prime minister, was killed while supposed under the protection of French peacekeepers near the Sarajevo airport.

Clandestine, nocturnal helicopter flights between the Muslim enclave of Bihać and Zadar have been going on for many months. They are widely used to resupply the isolated enclave with weapons. Technically, the flights are in breach of the NATO-enforced no-fly zone over Bosnia, but NATO has tended to turn a blind eye to them.

Reports said more than 200 rescue workers from various points in Russia's Far East had arrived in Neftgorsk along with six helicopters and more than 10 airplanes. More search teams were said to be headed toward the town, although heavy fog and freezing nighttime temperatures were said to be hindering the search for survivors.

Interfax reported that a disastrous full of young people in a two-story building was destroyed in the quake. The local police station was also reportedly leveled by the tremor but the local hospital arrived to have survived. Telephones and other means of communications with the town were cut.

All 269 people aboard, including 61 Americans, were killed. The jet fell into the sea off the southwestern coast of the island, several hundred miles south of the earthquake zone.

Sakhalin, just north of the Japanese island of Hokkaido, was the scene of one of the Cold War's tamer moments in 1983, when Soviet leaders ordered a fighter jet to shoot down Korean Air Flight 007 when it strayed over the island.

At least 269 people were killed. The jet fell into the sea off the southwestern coast of the island, several hundred miles south of the earthquake zone.

Edgar Scott, 86, a prominent investment banker who was husband of the socialite Hope Montgomery Scott, died of pneumonia on Friday in Radnor, Pennsylvania. (AP)

MEN: Making the Saving of Souls a Masculine Pursuit

Continued from Page 1

wife, a man that has a passion for God and is willing to lay down his life for him."

The Promise Keepers staff and budget have roughly doubled every six months for the last four years, peaking now at 150 people on a \$22 million budget.

The group's operators take orders for New Man magazine, books on living godly lives, cassettes and CDs and Promise Keepers golf shirts and baseball caps.

Some 65,000 men have filled out commitment cards vowing to keep the "Seven Promises of a Promise Keeper": honor Jesus Christ; have close male friends; practice spiritual, moral and sexual purity; be faithful to wife and children; support the church; defy racial and denominational barriers, and go out and encourage the world to do the same.

The genius of Promise Keepers is "the disciplined lifestyle they set before these men as a challenge," said Robert M. Franklin, director of black church studies at Emory University's Candler School of Theology.

Men like tests, they like competition, so there's this dynamic at work," he added. "They make demands on these men, and they provide significant psychological rewards."

Some women's groups criticize Promise Keepers, but not for holding men-only events.

The problem is the message "that men must take back control of the family, be the head, the boss," said Rosemary

Evans, national action vice president of the National Organization for Women, in an interview last week. "It's a overtly well-cloaked misogynistic message."

Critics cite a passage from the book "Seven Promises of a Promise Keeper" by Tony Evans, directed to men who have abandoned or ignored their families.

"I'm not suggesting that you ask for your role back; I'm urging that you take it back," Mr. Evans wrote. "Treat the lady gently and lovingly. But lead."

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MONDAY, MAY 29, 1995

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CYBERSCAPE

Mastering the Millennium: The Curse of 2000's Zeros

The Associated Press

NEW YORK — As 2000 gets closer by the day, more computer engineers are trying to fix what looks like a simple problem but could turn into a back-to-the-future nightmare. Many computer programs calculate years from the last two digits, such as "95" for 1995. But when 2000 arrives, the year will be represented by "00," and the huge number of programs that make calculations based on higher year values, such as 95 minus 45 equals 50, will produce wrong answers.

For example, a computer in 2000 might think a person born in 1970 is 70 years old if its program automatically used the bigger number to begin a calculation, such as 70 minus 00 equals 70. If a pension fund company's computer program did that, a 30-year-old could start getting retirement benefits.

How about a January 2000 monthly mortgage check written on Dec. 31, 1999? It might get bounced because a bank computer thinks the check is 99 years old and therefore no good.

Some product executives have been warning about the date dilemma for years. But lately, big computer companies also have brought more attention to it, raising awareness among clients that a critical crisis looms.

The trouble is that just fixing a computer program is not enough. All the data accompanying the program, which sometimes means millions of records or transactions, must be changed as well.

In addition, if a company shares data with someone else, such as an oil driller reporting production to a state agency, both must ensure that any changes are compatible with each other's computers.

"In the grand scheme of things that need work, I think this is on the large side," said Ron Rudman, an engineer in the technology architecture division of Electronic Data Services Corp., the largest U.S. computer-services company.

Gartner Group, a technology research firm in Stamford, Connecticut, estimates that large businesses will spend \$100 billion in the next five years — now more like four and a half years — trying to correct their programs. Government agencies may need to spend a similar amount, although Gartner has not done a precise study for them.

In a survey for the computer-services company Cap Gemini America Inc., only a third of the 201 large and medium-sized companies surveyed had assessed the "2000 problem."

"We think it's going to hit the fan in 1997, at which time we think there will be unlimited demand for limited resources," said Bill Goodwin, editor of "Tick Tick Tick," an industry newsletter devoted to the issue.

Internet address: CyberScape@iht-lib.demon.co.uk

U.S. Fed Still Wary On Prices

By John M. Berry
Washington Post Service

WASHINGTON — Even with economic growth clearly slowing, Federal Reserve documents suggest that policymakers may be reluctant to cut short-term interest rates, as some analysts are suggesting, until it is clear that the risk that inflation could move noticeably higher has faded.

Two months ago, when evidence of slower growth was just beginning to emerge, Fed officials were concerned that the economy was operating in dangerous, inflationary territory, according to minutes of the March 28 policy-making session released Friday.

As a result, the Fed's top policy group, the Federal Open Market Committee, voted unanimously to give Chairman Alan Greenspan more room to raise short-term interest rates between them and the committee's next meeting, which was held Tuesday. At that session, however, rates were again left unchanged and no announcement was made about whether the committee was leaning one way or the other on possible future changes.

With mounting evidence that growth has slowed, including reports last week of falling orders for manufactured goods and rising claims for jobless benefits, a number of economists and financial analysts said the economy was in danger of slipping into a recession if the Fed did not lower short-term rates.

At the end of March, however, most of the committee members still felt that "the economy remained considerable forward momentum," the minutes said.

Germany's Power War

Protests Ignite Debate on Nuclear Energy

By Brandon Mitchener
International Herald Tribune

MUNICH — To Otto Majewski, a utility company executive, the weekly violent protests that marked the transportation of nuclear waste to a storage site in northern Germany this month were the first skirmish in a growing struggle over the shape of the country's industrial future.

The so-called Castor shipment, one of about 70 such consignments that occur in Germany every year, this time required the deployment of 10,000 policemen and cost 55 million Deutsche marks (\$40.1 million) in additional security. Some protesters sabotaged rail lines, intending to halt the transport.

The fact that the shipment coincided with a Berlin conference on environmental issues, elections in the state where the waste was to be stored and talks on Germany's energy requirements for the next several decades surely contributed to the controversy.

But the vehemence of the protest, according to Mr. Majewski — who is chairman of Bayern AG, Germany's third-largest utility — was mostly a reflection of politicians' weakness and irrational fears regarding high technology, two factors that he contended doom Germany to economic stagnation.

"The unprecedented perversion of rational debate about a new technology into a vote on the survival of our society has created a climate in which it is impossible to hold an intelligent conversation or make strategic decisions," he said.

While the immediate victims of the uproar are German companies that do business with high technology, the nuclear-power brook has ultimately about Germans' unwillingness to stake their wealth on anything that carries a hint of risk, Mr. Majewski argues.

"We can't allow ourselves to be enslaved by our fears," he said.

Although nuclear power currently supplies 35 percent of Germany's energy needs, and the country's power plants are considered among the world's safest, the environmentalist Greens Party has demanded an immediate conversion to renewable energy resources, and the opposition Social Democratic Party wants a moratorium on new nuclear-power

plant construction and an orderly shutdown of existing plants.

Mr. Majewski said that even an orderly retreat would not only cost Germany 240 billion DM but make it impossible for the country's energy-intensive manufacturing industry to remain competitive.

Even under the most optimistic of scenarios, solar, wind and hydroelectric power, along with the incineration of biological waste, could not generate more than 5 to 7 percent of the country's energy needs in the next 15 years, he said.

Despite improvements in the efficiency of solar cells and other solar power technology, their primary markets will not be Germany, but sunnier places in the Third World, he added.

In addition to being one of Germany's largest nuclear-power generators, Bayernwerk is the country's biggest generator of hydroelectric power and has a 49 percent stake in Siemens Solar GmbH, one of the world's largest manufacturers of solar cells.

Markus Kurzziel, a climate specialist with the Greens, said Germany could meet its energy needs well into the next century without nuclear energy by simply encouraging greater energy efficiency in electricity use, heating and transportation.

"The main problem is the energy price," he said. "As long as electricity, heating oil and gasoline are so cheap, there is no incentive to use less" and to conserve energy.

Mr. Kurzziel, citing a recent study by a committee of Parliament, said Germany could meet as much as 75 percent of its energy needs from regenerative sources by 2050.

German industry, however, is particularly disconcerted that the country is talking about abandoning nuclear power just when Southeast Asia is embracing it.

Of 60 nuclear power plants under construction worldwide, 14 are in Southeast Asia,

which is becoming a major export market for German technology, especially major infrastructure projects such as power plants, rail lines and telecommunications.

Despite the appearance of a national backlash against it, nuclear power is one of the

See NUCLEAR, Page 11

China Targets Defiers of State Price Controls

Reuters

BEIJING — Inspectors will be sent out across China soon to verify that government-imposed price controls are being observed, the official People's Daily said on Sunday.

Concerns that inflation's recent decline might be reversed because of a widespread disregard of state price directives led to the step, the newspaper said.

Deputy Prime Minister Zhu Rongji called for national vigilance after prices rose 0.7 percent in April, having declined in the first three months of the year, state television said.

Many regions have defied a crackdown on new construction projects ordered by Beijing. Mr. Zhu said. He added that the number of new projects begun in the first four months of 1995 had been estimated at 8,325 and that investment in new construction had increased by 5.3 percent over the corresponding four-month period in 1994.

Many regions have also ignored curbs on price rises, Mr. Zhu said.

Analysts said the nationwide check on price controls, due to start in early June, was clearly intended to halt defiance of government orders to stop price rises, especially on farm products.

"Retail price hikes in different localities across the country have been falling since the beginning of the year, but there is still quite a gap from the desired target for this year," a member of China's cabinet said.

Inspectors will carry out the nationwide check from early June through early July. They will be required to verify implementation by regional governments of various state policies.

Beijing launched a campaign this year to halt price rises after consumer-price inflation in 1994 of more than 24 percent.

China's economic policymakers

have set a target of 15 percent inflation for this year, but official reports have revealed that that goal may be slipping out of their grasp, with agricultural products a major concern for a second straight year.

Bond Sale Is Canceled

China has scrapped a \$100 million overseas bond sale aimed at financing the world's largest dam project, preferring to tap its own foreign-exchange reserves, a state-controlled news service said, according to a Bloomberg Business News report from Beijing.

The sale of bonds to fund construction of the Three Gorges Dam had been arranged by the Wall Street investment houses Merrill Lynch & Co. and Morgan Stanley & Co. and by Nomura Securities Co. of Japan.

Seoul Tonic Brought Out For Bourse

Agence France Presse

SEOUL — South Korea has announced a long-awaited package of measures aimed at shoring up its sagging stock market by buying up surplus quantities of new shares and curbing new stock issues.

The Finance and Economy Board said the state's market stabilization fund would start buying shares Monday.

Public sales of state-owned shares and new issues of financial institutions that had been planned for the third quarter of this year will be put on hold.

Financial institutions will be urged to buy more shares than they sell, and the volume of bonds will be controlled to avoid weighing down share prices.

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LINE 105

No Dog's Life for Pet-Food Firms

Thanks to South Korea's growing affluence, the dog-food market is growing at up to 30 percent per year. One result has been that the government no longer has to worry that pet-food advertising will breed resentment among the poor who, not so long ago, struggled just to pack school lunches.

The government gave its blessing to the new broadcasters out of a desire to keep up with the so-called information revolution. Private cable operators, they believe, are key to getting South Korea wired up.

The revolution may be good news for South Korean consumers, but cable TV operators and foreign cable companies are not entirely pleased.

Cable TV operators were encouraged to make their investments at a time when few believed that the government would go ahead with satellite broadcasting anytime soon. At the same time, Seoul has granted licenses to many operators. About 120 are expected to be issued by the end of the year — far too many for all to be profitable.

Crackdown on Card Scams

Seoul is clamping down on credit-card con men, now the main source of consumer finance in South Korea.

Heavy-handed government regulations and high interest rates have stunted the growth of a legitimate consumer finance industry. So for most South Koreans, credit-card cash withdrawal is the only way to get cash in a hurry.

To circumvent tight limits on legal cash-advance withdrawals, however, many turn to the so-called curb market, where back-alley bankers write up bogus purchase receipts and hand over cold cash.

Step one in Seoul's crackdown is deregulation. Revolving credit, now banned, will be permitted later this year. This should relieve pressure on individuals to pay off their balances, which now must be cleared monthly, said K.B. Kim, general manager of MasterCard International's Korea Office.

Step two is tougher scrutiny. All card transactions must now be approved with telephone authorization, a move that should cut out many curb-market operators.

Steven Brull

CAPITAL MARKETS ON MONDAY

Most Active International Bonds

The 250 most active International bonds traded through the Euroclear system for the week ending May 26. Prices supplied by Telksure.

Austrian Schilling

192 Austria 7 05/16/05 99,7000 7,0100

Belgian Franc

132 Belgium 6½ 03/31/05 93,8000 6,9300

220 Belgium 7½ 18/15/04 102,8200 7,5400

Danish Krone

2 Denmark 7 12/15/01 92,6200 7,5600

15 Denmark 8 05/15/02 97,5000 8,0300

19 Denmark 9 11/15/00 102,4900 8,5200

24 Denmark 0 11/15/01 102,7800 7,9400

25 Denmark 9½ 08/10/93 100,3800 9,2200

37 Denmark 7 11/18/24 82,3500 8,8000

42 Denmark 9 11/15/25 101,9400 8,2100

44 Denmark 9 11/15/26 102,8000 8,7300

64 Denmark 6½ 02/10/97 99,2000 6,2900

64 Denmark 6 12/10/99 94,4400 6,3500

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11 Germany 6½ 07/15/04 99,7733 6,7700

12 Germany 6½ 07/21/91 106,1617 7,7700

13 Germany 6½ 07/15/93 108,6300 5,5900

14 Germany 9 10/20/00 112,4800 8,8000

15 Germany 7 07/20/01 104,1507 7,0800

16 Germany 7 07/20/01 104,1507 7,08

Japan Inc.'s Supplier Firms Get Pummeled as Yen Soars

By Andrew Pollack
New York Times Service

TOKYO — For all the focus on how the rising yen is hurting powerful exporters such as Honda and Hitachi, the impact is far worse on Japan's small, anonymous manufacturers supplying the parts to the brand-name giants.

The small factories either cut prices of their parts to help the big companies maintain their profits or they lose business when the bigger companies relocate factories offshore.

Yet these small factories have been instrumental in making Japan Inc. what it is—an efficient producer of high-quality goods. As their numbers keep dropping, there is growing fear that Japan is losing some of its fundamental manufacturing know-how and possibly its ability to come out with new products.

National and local officials, as well as the companies themselves, are devising countermeasures. The Ministry of In-

ternational Trade and Industry is offering loans as well as advice to small factories.

The ebbing of the manufacturing culture is being played out in Oita, an area in southern Tokyo that is home to more than 7,000 small factories, mostly in the metalworking business, and 80 percent of have with fewer than 10 employees. These are not direct suppliers to the big companies but to the second- or third-tier ones.

In the last decade, more than 2,000 factories have vanished from Oita, driven out of business or at least out of Tokyo, by spiraling land prices, recession, difficulties in recruiting workers and the rise of the yen.

In one sense, Oita is in metalworking in Japan what Silicon Valley is to electronics in the United States. Just as Silicon Valley in California has the engineers, programmers and financiers who join to create electronic products, Oita has a network of specialized workers to supply almost any metal

part, often quickly and in lots as small as one.

But Mitsuhiko Seki, a professor at Senshu University, said Japan was losing its "full-set" industrial structure, in which it made virtually all components by itself, and would be more fully integrated with the economies of other Asian nations.

U.S. parts suppliers could also benefit as the big Japanese companies move more of their manufacturing — of cars, machine tools and electronics — to the United States.

Ricoh Co., the office equipment maker, is now importing 10 percent of its parts from China and elsewhere, up from 2 percent a few years ago.

The waterway, which could

cost \$1 billion, would also run through parts of Brazil, Argentina and Uruguay.

President Juan Carlos Wasmosy of Paraguay, whose office here overlooks the slow-moving Paraguay River, said the waterway would help the country overcome its sense of being landlocked. "Instead of barges carrying 500 tons, we would be able to have barges carrying 2,000 tons," he said.

The Inter-American Development Bank is directing the project and would finance a major portion with matching funds from the five countries involved if environmental approval is received.

But environmentalists fear that the river-dredging and channeling project would pull the plug on the world's largest

wetlands, the Pantanal in Brazil, an area that is home to 600 bird species. Downriver, it would cause flooding, they say.

"The five-country region can little afford the destruction seen in the Mississippi and Everglades," the Environmental Defense Fund, a Washington-based group, warned recently about the Hidrovía.

"If you cut through the river meanders and blow up the banks, the river is going to run faster," warned Raúl Gauto, executive director of a leading environmental group here, the Moisés Bertoni Foundation, named for a Swiss naturalist who worked in Paraguay.

Scientists say the Pantanal wetlands act like a vast sponge, regulating the flow of rainfall

"For a long time, we have been dredging the river, and nothing has happened," Eugenio Sanabria Cantero, director of the agency, said. He said the project would benefit 17 million people living in the region.

But some scientists challenge his contentions. After the Pantanal suffered its worst drought in 20 years last year, they questioned whether faster river flows from the dredging were already drying out the vast marsh, which is considered the world's most biologically diverse wetland.

NUCLEAR: Protests in Germany

Continued from Page 9
industries in which German companies such as Siemens AG have maintained a technological edge.

Together with Framatome Connectors France SA, Siemens and several other French and German companies recently agreed to begin basic design of a new generation of power plant, called the European pressurized water reactor.

If the next round of so-called energy consensus talks on Germany's future mix of coal, nuclear, gas and other sources of power on June 21 fails to support continued research in atomic energy and to leave construction of new power plants an option for the future, the result would be an exodus of German technology and talent, that the country would live to regret, Mr. Majewski said.

"Our researchers will move

away, and Germany will be forced to import electricity," he said.

Hans-Olaf Henkel, chairman of the Federation of German Industry, has also come out on the side of nuclear power. "If we need new nuclear power plants after the year 2005 — we have enough to last us until then — we should build them," he said in a recently published interview.

"There are also responsible people in the Social Democratic Party that agree with me and the overwhelming majority of other industrial nations that we need nuclear power," he said.

Meanwhile, Günter Rexrodt, Germany's economics minister, said a greater reliance on nuclear power would help Germany meet its commitment to reduce its consumption of fossil fuels, which are thought to contribute to global warming.

BOOKS

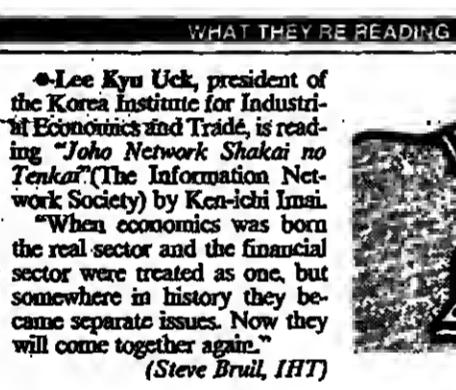
THE MAN WHO GREW TWO BREASTS: And Other True Tales of Medical Detection

By Berton Roueche. 197 pages. \$22.95 Dutton.

Reviewed by
Dennis Drabelle

BERTON Roueche, who died last year at 83, was that rarity among writers, a dedicated miniaturist. Like a composer who produces only chamber music or a painter who sticks to watercolors, he practiced his artistry on a small scale, eschewing the blockbuster syndrome in favor of reportorial essays that he gathered in bookfuls. He also wrote a quartet of mystery novels, the longest of which runs to all of 224 pages. He started out as a rewrite man on newspapers in his native Missouri and hired on as a New Yorker staff writer in 1944. His topics included vanishing American places and ways of life and such everyday items and experiences as bananas and wine and train travel and small towns. But he was best known for a hybrid genre of his own invention: real medical cases couched as mysteries with the doctor playing detective.

I won't pretend to be utterly detached in my admiration for Roueche. I'm also a native Missourian, and I met him 20 years ago, when he fell in with a scheme of mine. I was a lawyer then, at the Interior Department in Washington, where one of



my projects was a campaign to save the Meramec River, near my hometown of St. Louis, from being dammed by the Army Corps of Engineers.

Knowing of Roueche's roots, I dropped him a line suggesting that he write a New Yorker piece on the Meramec. He replied that he would be "delighted" to — it was almost as simple as that. We rendezvoused in St. Louis in the spring of 1975 and drove to the country. He was soft-spoken but boyishly enthusiastic, and I recall him eagerly tucking into the biscuits and red-eye gravy we were served for breakfast at a rural diner. Thus fortified, we canoed the river with local conservationists. Fifteen minutes into the journey, Roueche and his guide tipped their canoe over; he made a graceful recovery by recounting the incident as a joke on himself in the article he wrote, "Country-side: Crawford County, Missouri" (which can be found in his book "Sea to Shining Sea").

BRIDGE

By Alan Truscott

EVERY Mother's Day weekend, Manhattan becomes the center of the bridge world. The 21st Cavendish Invitational pairs was played at Loew's New York Hotel. Kidzitzers were charged a \$10 fee. Proceeds go to the Chemotherapy Foundation of Manhattan, which aids cancer research.

The 40 pairs included many of the world's best players, with five pairs from Europe. The warmup is the Cavendish Teams. Last year, the team winners were led by Rita Shugart of Pebble Beach, California, now playing with Andrew Robson of Britain, at 30, the youngest of the players. Their team reached the Vanderbilt Knockout Teams semifinal in Phoenix and the diagramed deal contributed to their defeat.

Three hearts was raised to game, and a diamond was led to dummy's king. This contract seemed safe, but Robson was unlucky: he took an immediate trump finesse, and when West won with the singleton king he shifted to the spade ace and shifted to the spade ace and gave his partner a ruff. The club ace was the setting trick.

Since the only danger was a ruff, it would have been better to spurn the heart finesse. Playing the ace and another could lose, if East held the heart king but it could gain when West held the king doubleton or singleton King. That is more likely by about 2 percent, so Robson's play was wrong, but only just wrong.

NORTH
♦ K 10 4 3
♦ Q 9 8
♦ A K 7
♦ K Q J 9

WEST
A J 7 6 5 2
♦ K 9 8 3
♦ Q 6 5
♦ A 6 5

EAST
Q 9 8
Q 7 6 5
Q 6 5
A 10 7 4 3

SOUTH (D)
♦ Q 9 8
♦ A J 10 8 6 4
♦ 5
♦ 4 3
♦ 4 2

Neither side was vulnerable. The bidding:
South: West North East
3 ♠ Pass 4 ♦ Pass
Pass Pass

West led the diamond six.

Dennis Drabelle, a Washington writer and editor, wrote this for The Washington Post.

South America Dreams of a Mega-Canal

By James Brooke
New York Times Service

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Tuesday

STYLE

From Paris to Milan, from New York to Tokyo, fashion editor Suzy Menkes covers the fashion front. With additional reporting on lifestyle issues, the Style section provides up-to-date information on developments in the changing world of creative design.

Every Tuesday in the International Herald Tribune.

Herald Tribune
INTERNATIONAL HERALD TRIBUNE

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

THE WORLD'S DAILY NEWSPAPER

Germany's Mortgage Banks

The Mortgage Banks in Perspective Year-end 1994

Total Germany DM billion	Mortgage Banks DM billion	Market Share %
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ISSUING

Domestic bonds outstanding	2,963.9	715.8	24.2
Domestic bank bonds outstanding	1,731.7	715.8	41.3
Pfandbriefe outstanding	1,103.7	653.2	59.2

LENDING

Residential property	1,201.5	260.7	21.7
Commercial real estate	293.4	144.8	49.4
Federal, state, municipal governments	625.8	250.1	40.0

are specialists in long-term mortgages

and lending to the public sector. In 1994, loan commitments of these 26 mortgage banks amounted to DM 184.4 billion — property loans accounting for DM 90 billion, and public-sector loans for DM 94.4 billion. At year-end, total lending stood at DM 810.8 billion, up nearly 11 % over 1993.

On the funding side, DM 178.3 billion were issued, of which mortgage and public Pfandbriefe accounted for DM 146.1 billion. In 1994, Pfandbriefe outstanding from the mortgage banks reached a record DM 653.2 billion, which was more than 59 % of Germany's total Pfandbrief market and 22 % of the country's entire bond market.

Typically offering a yield pick-up over Bunds, German Pfandbriefe give investors an attractive combination of safety, returns, and long-term value in a stable currency.

For further information, just contact the Association of German Mortgage Banks (VDH) in Bonn, Fax (228) 9 59 02 44.

MEMBER BANKS

- DEFA-BANK, WIESBADEN
- BAVARIISCHE VEREINSBANK AG, MÜNCHEN
- HYPOMARKETAG, FRANKFURT
- DEUTSCHE HYPOTHEKENBANK AG, FRANKFURT
- RHENHYPER, FRANKFURT
- DEUTSCHE GENOSSENSCHAFTSHYPOTHEKENBANK AG, HAMBURG
- FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
- DEUTSCHE CENTRALBÖRSENKREDIT-AG, KÖLN
- BAVARIISCHE HANDELSBANK AG, MÜNCHEN
- WESTHYPER, DORTMUND
- BERLIN HYPER, BERLIN
- SÜDÖSTDEUTSCHE BÖDENCREDITBANK AG, MÜNCHEN
- MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
- HAMBURGHYP, HAMBURG
- WÜRTTEMBERGER HYPER, STUTTGART
- NÜRNBERGHYP, NÜRNBERG
- HYPOTHEKENBANK IN ESSEN AG, ESSEN
- DEUTSCHE HYPOTHEKENBANK AG, HANNOVER
- RAUNIGSWEG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
- LÜBECKER HYPOTHEKENBANK AG, LÜBECK
- NORDHYPER, HAMBURG
- BIG-HYPOTHEKENBANK AG, FRANKFURT
- WI-BANK, MÜNSTER
- HYPOTHEKENBANK IN BERLIN AG, BERLIN

GERMANY'S MORTGAGE BANKS
SOLID FROM THE GROUND UP

NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, May 26.

Stocks	Div	Yld	Sales	100s	High	Low	Chg	Clos	Chg	Stocks	Div	Yld	Sales	100s	High	Low	Chg	Clos	Chg	Stocks	Div	Yld	Sales	100s	High	Low	Chg	Clos	Chg		
A																															
A Plus			1,260	134	124	131	-1	124	-1	A Plus			206	22	108	91	91	-1	108	-1	A Plus			50	50	253	14	14	-1	253	-1
ABCO	1.22		2,070	195	195	195	-1	195	-1	ABCO			112	19	108	95	95	-1	108	-1	ABCO			125	125	125	125	125	-1	125	-1
ABC Res	.42		3,079	205	205	205	-1	205	-1	ABC Res			204	9	124	105	105	-1	124	-1	ABC Res			204	204	204	204	204	-1	204	-1
ABC Int'l			1,025	195	195	195	-1	195	-1	ABC Int'l			178	23	178	17	17	-1	178	-1	ABC Int'l			178	178	178	178	178	-1	178	-1
ABC Int'l			1,025	195	195	195	-1	195	-1	ABC Int'l			178	23	178	17	17	-1	178	-1	ABC Int'l			178	178	178	178	178	-1	178	-1
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Egypt

A DYNAMIC COUNTRY IS TRANSFORMING ITSELF

The critical months ahead will shape the country for the next four years, as the economic reform process picks up speed.



Sharm El Sheikh, Sinai Peninsula (top); Cairo's skyline (middle); traders on the Cairo Stock Exchange.

Cairo has had its differences with creditors and the International Monetary Fund over the pace of reform but is quietly confident that this time it has got it right. The past year has been spent consolidating policy and macroeconomic infrastructure and starting the process of marshalling internal financial resources. As these resources come into play, the political and business leadership is beginning to savor the benefits of a measure of financial independence.

In the regional arena, Egypt is content to take a back seat in the Peace Process. It took a strong lead in protests at Israel's expropriation of Arab lands in East Jerusalem and in voicing reservations over signing an open-ended extension of the Nuclear Non-Proliferation Treaty without Israel's participation.

"We want to keep the Americans in the forefront," says Osama el-Baz, director of the President's Office for Political Affairs, of the Syrian negotiations. "The United States should present a draft position paper to break the deadlock, he maintains. Peace will come because the advantages outweigh the disadvantages for all sides, but he warned that the region may be running out of time with the Israeli and American election seasons getting into gear next year.

Stable environment
On the home front, the successes are easier to define: a stabilized macroeconomic environment where the policy direction is set and the economy responds to controls. The budget deficit for the current year to end in June is on the 1.5 percent target set by the IMF's structural adjustment

program. Inflation is under 10 percent on an annualized basis; it dipped back to 9.4 percent in March after rising above 10 percent in the preceding three months, and real interest rates are 1.5 percent to 2 percent, sufficient to attract savings. The growth rate is a subdued 3 percent to 4 percent and is projected at 4 percent for 1995-96.

Agreement foreseen
Of the elusive IMF agreement, Minister of State for International Cooperation Youssouf Boutros Ghali says, "We are 90 percent there and still talking." Both sides want to increase the growth rate and employment and agree on the tools to be used, according to Mr. Boutros Ghali. "The trick is what combination of these tools to use."

The lack of agreement means that Egypt cannot draw down the last \$4 billion tranche of debt relief granted after the Gulf War. Running past the end of the year incurred a significant debt service penalty. After 1996, Egypt will also have to start adjusting to diminishing aid from the United States.

Increasing convertibility
Increasing convertibility of the pound, however, means that Egypt now has some financing options. "Obviously when your resources decline, you suffer," says Mr. Boutros Ghali, "but it would be the same if my tax or customs revenues went down."

Aid is no longer the main foreign exchange provider. Its decline doesn't mean my dollar receipts are going to be a problem. It does mean, however, that the resources available to the economy are going to decline, that I am going to have to substitute

these resources with others generated domestically."

Sophisticated market

And that is what the government is doing. The framework of the market economy has been set in place, the institutions have been established and now the process of "furnishing" financial markets is in hand.

"We have always underestimated the market's sophistication, its capacity to absorb instruments," notes Mr. Boutros Ghali. On the one side, managers are discovering the wonders of market management and market forces, and on the other, workers in the economy itself are discovering the muscle of capital markets and the banking system.

"Both sides are groping for a new equilibrium," he says. It is a process he does not believe should be forced because once it is properly established it will provide a good platform for later acceleration. The business environment has improved dramatically. Egypt now gives tax incentives to enterprise, and the Investment Authority is being reformed.

Ibrahim Kamel, chairman of Kato Aromatics SAE and himself a member of the Investment Authority board, predicts that the board will confine itself to policy and move out of administration altogether.

Projects worth less than 50 million Egyptian pounds (\$14.7 million) now go through on a nod, and it may not be long before all restrictions on project size are removed.

Mr. Kamel, who heads the prestigious Presidents' Council, which was established by U.S. Vice-President Al Gore and Egyptian President Hosni Mubarak in order to strengthen

en bilateral business ties, is conscious of the necessity of showing the acceptable face of capitalism.

"The idea of capitalism without social responsibility is a recipe for disaster," he warns.

He is sensitive to criticism that the regions, and particularly Upper Egypt, have been neglected. He thinks that Mr. Mubarak's decision to grant land to investors in industrial zones being established in Beni Suef, Minya, Assiut, New Valley, Sohag and possibly Aswan is important for sending a clear signal to governors, government agencies and investors that it is the political will of the whole country to help Upper Egypt."

Public confidence

Mr. Kamel thinks 1996 will be a critical year. If the public begins to see the fruits of the policy this year and votes in young dynamic members in next year's general election, with the infrastructure and the legislation in place, "they could achieve a lot in four years." A little prosperity and public confidence in the reform process will make restructuring of the public sector - the next and ultimate challenge - that much easier.

Mr. Boutros Ghali agrees that there is a window of opportunity that will not remain open indefinitely. "I am not complacent," he says. "We are off to a good start, but we have a long way ahead. The equilibria are there and working, but as long as I have not achieved a steady, labor-intensive growth of 6 percent to 7 percent, which would allow me to nibble at the pool of unemployment, I am falling behind."

Alan Mackie

WATER IS LIFE

January 1995. We completed our water plant project in Nema Bay Sharm El Sheikh, South Sinai, Egypt.

Our first water plant project to produce 3000 m³/day of desalinated water for drinking according to international specifications sufficient to cover all touristic projects in Nema Bay Sharm El Sheikh.

The plant includes a computerized control system for distribution of treated water to engineers and all staff.

The contract for 10 years was signed with German company using all membranes and technology.

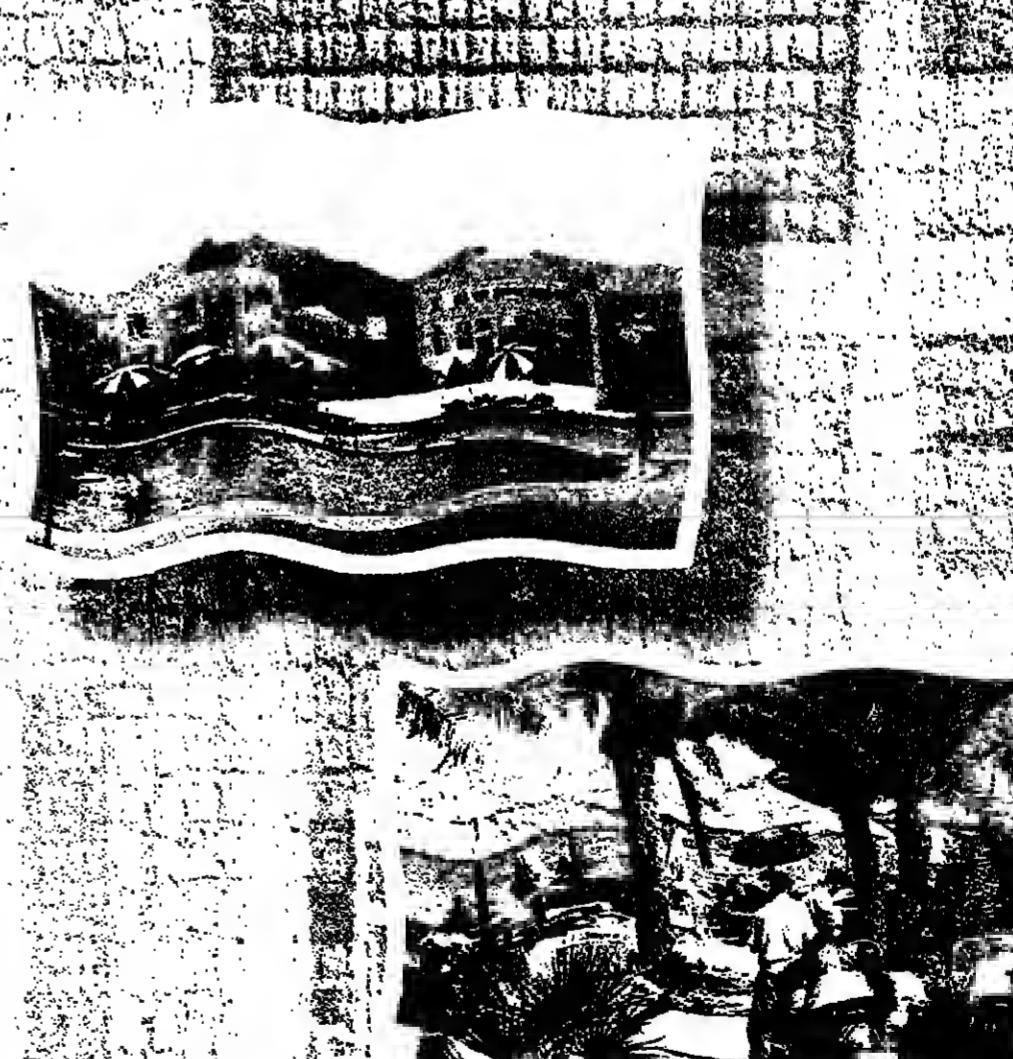
Second phase expected to start during 1995 which will include 6000 m³ of treated irrigation water and additional 3000 m³/day of desalinated water and 6000 m³ underground water tank which will be sufficient to cover all the needs of the present and future touristic projects within a circle of 17 km around Sharm El Sheikh.

SOUTH SINAI WATER CO.

Nema Bay, Sharm El Sheikh, Egypt
Tel: (062) 601630/31/52633 Fax: (062) 601634

Victoria United Hotels Co.

Sharm El Sheikh Movenpick Hotel Owner



Managed By

MÖVENPICK HOTEL

THE SWISS HOTEL GROUP

International

Reservation

Directly through the hotel Sharm El Sheikh Movenpick Hotel Jolie Ville

Tel: +20 (062) 60 01 00/5 Fax: +20 (062) 60 01 11 Tlx: 66038 MPSHM CN

Egypt

REAL ESTATE DEVELOPMENTS SPRING UP

Spacious villas make good investments in Egypt's new industrial cities, in commuting distance from Cairo.

Planners have long been at a loss as to how to persuade urban dwellers, particularly those in Cairo, to forsake their poky polluted flats in the big city for the open spaces and pure desert air of the new communities. But in the nature of seeds sown on stony ground finally taking root, the idea may just be catching on.

There are several reasons why. The new industrial cities, such as Tenth of Ramadan and Sixth of October, which took root and grew in the 1980s, have matured. The transverse Egyptian commuter, living in the city and working in the new cities, was born. These new commuters have money to invest and are not averse to deserts and fresh air.

What pushes them to send away for the glossy brochures of the new up-market urban developments sprouting up around Cairo is the realization that their flats in high-rise block in Heliopolis or Zamalek would probably fetch twice as much as a new villa with swimming pool in one of these new communities: sell the flat, buy the villa and bank the difference for a rainy day, the argument goes.

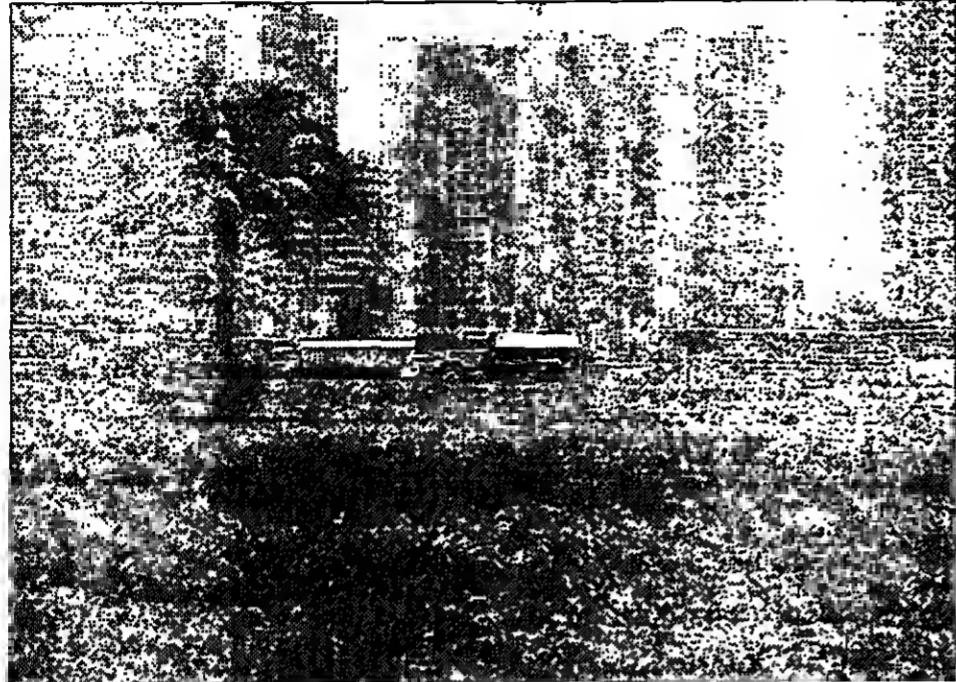
The government has laid plans for a surge of middle-to-high-income communities between Cairo and Ismailia, each providing for around 50,000 inhabitants. The authorities lay on the infrastructure and sell land in lots of 600 square meters (717 square yards) upwards.

A number of private-sec-

tor development companies have taken the bait. One is Construction and Development Engineering (CDC), an affiliate of the Hassan Dora Group. CDC has bought 1.1 million square meters in Shuruk 2000 and is developing a residential compound of 600 villas. These are being marketed in some 20 de-

velopments in Giza. Mr. Kamel is marketing the First Building nearby, which will be Cairo's most luxurious complex when it is completed next year, at similar prices. At a quarter of Manhattan, London or Paris prices, it makes a good investment, he reckons.

How much longer proper-



Since the 1980s, high-rise buildings have been built for middle- to high-income families.

signs and in lots varying between 450 and 1,250 square meters.

Described in the promotional literature as "a fantastic paradise of parks, trees and open spaces, the compound will have the added attraction of sporting and

the utilities will not be in place until mid-1997. CDC's General Manager Zakaria Zidan says, "About 80 percent of people are buying for investment."

Soaring prices
Certainly, getting in on the ground floor of such schemes can be lucrative. Real estate prices continue to soar. Prices in the Nile-side Agha Khan Development in northern Cairo, not the smartest area in town, have jumped from 800 Egyptian pounds to 2,000 Egyptian pounds a square meter in the past two years.

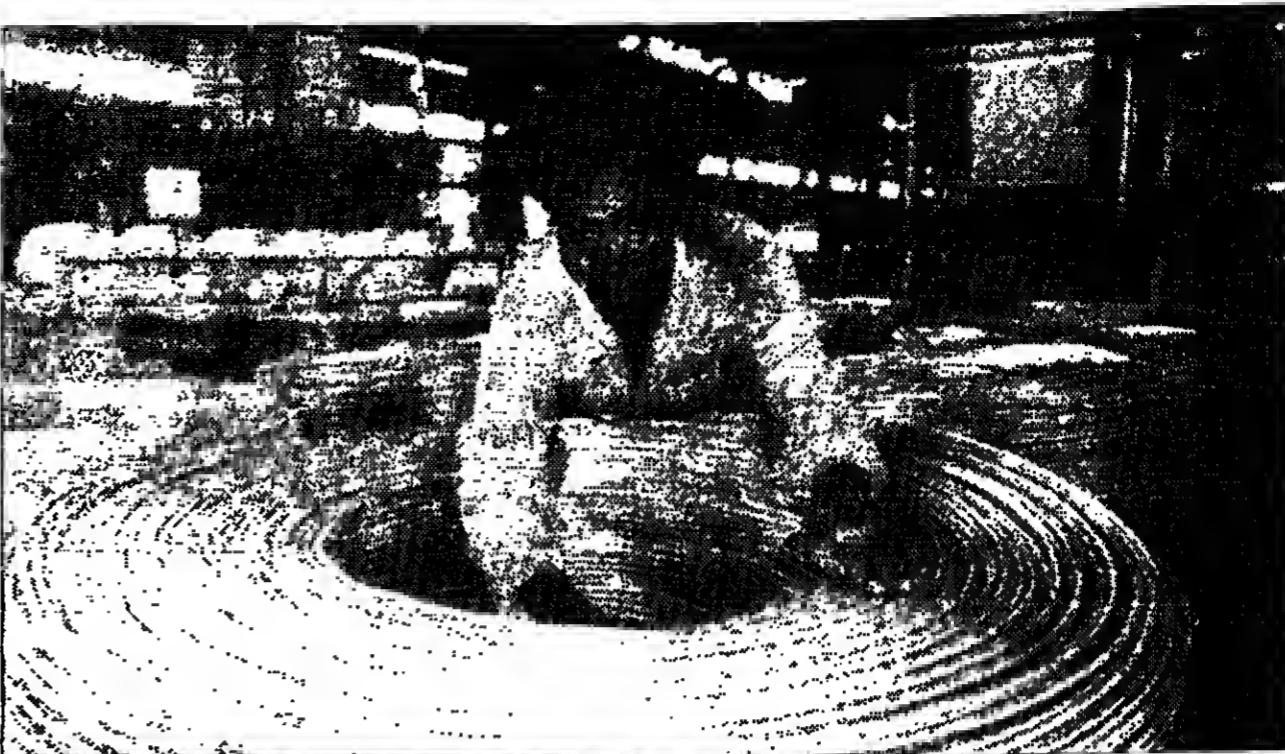
There are signs of price stabilizing, however. The Abdulaziz Ali al-Mutawa Group is marketing its luxury Ville Blanche condominium at the Pyramids at 2,200 Egyptian pounds a square meter after a careful analysis of market trends. These prices compare with 3,000 Egyptian pounds to 4,000 Egyptian pounds a square meter for choice areas of Zamalek and Mohandeseen and pale beside the \$3,000 a square meter obtained by Ibrahim Kamel for a 17-story block situated by the Nile

prices can sustain these levels, let alone continue to climb, is open. Egyptians, especially those returning from Saudi Arabia and the Gulf, still regard a villa in a new community or a tourist village as the best hedge against a weak currency.

But the acute housing shortage is easing. The government is building low-cost housing in earnest in addition to catering to middle- to high-income groups with joint private sector schemes. Further, the impending change in the rent law will release a flood of rented accommodation from an estimated 1.5 million unoccupied apartments.

For the time being, the lack of easy credit makes the property market less prone to a speculative fall; the advent of mortgages could indeed help sustain prices. The real issue, however, is inflationary expectations: if the government is serious about beating inflation, then attitudes about property will change. Equally, if a lifestyle revolution is taking place in Egypt, then urban property is likely to feel the pinch first.

A.M.



The Aluminium Company of Egypt (Egyptalum), a vast complex in Naga Hammadi, employs several thousand people.

A NATIONAL INDUSTRY'S SUCCESS STORY

An aluminum company in Upper Egypt reinvents itself with updated equipment and improved engineering.

The Naga Hammadi aluminum complex in Upper Egypt is a classic example of a state enterprise that has successfully reinvented itself. And, thanks to the recent revival in aluminum prices, it is now ready to take on the world.

The Soviet-built smelter started life as a white elephant with power-guzzling, labor-intensive technology and has been gradually revamped into a working elephant - as much by in-house engineering as by the addition of new equipment. Now Aluminium Company of Egypt (Egyptalum), the operating company, has embarked on a massive expansion and rehabilitation program that will put the complex, the most integrated of its kind in the Middle East, in the same league as other regional producers. The expansion will be partly financed by the stock market.

"We will take the first step toward privatization in July, when the holding company [Metallurgical Industries Holding Co.] reduces its stake by 15 percent and increases the capital by 10 percent with the issue of new shares," says Chairman Soliman Reda Ali. The group made profits of \$27.5 million in 1993-94.

Naga Hammadi became fully operational in April 1977. At that time, it had a design capacity of 100,000 tons per year, which was subsequently increased to 166,000 tons per year. Opting for Western technology in 1983, when it became clear that there was little future in Russian technology, Egyptalum instituted piecemeal changes, which enabled production to rise to 180,000 tons per year - 14,000 tons per year above design capacity. Metal purity was also improved to a highly competitive 99.83 percent. Low metal purity had been a major handicap in marketing production internationally in the 1980s.

In November 1991, the company began testing a prototype pre-baked anode production cell.

This proved so successful, according to Zaki Bayouni, managing director of Smelter and Cast Houses Sectors, that 92 are to be installed over the next 12 to 15 months, and the existing 460 pots upgraded over the next five years. Tied in with this, bids are being studied for an AC/DC rectification substation. Cegedet of France has a contract to install a production control system using Pechiney software. ABB Fluct of Norway is supplying a gas-cleaning substation.

These changes and additions will raise the smelter's capacity to 200,000 tons per year in the latter half of 1996 and to 300,000 tons per year by the turn of the century.

Meanwhile, contracts have also been awarded to a consortium consisting of Mechatherm International of Britain, Pechiney of France and Wagstaff of the United States to build a new foundry. This will supply the jewel in Egyptalum's crown, a state-of-the-art 60,000-ton-per-year cold press rolling mill. Currently, the complex produces only rolling slabs for sheets and flats, wire rod for cables, billets for extrusion and alloys for car parts. Local consumption takes 80,000 tons per year, which will rise to 100,000 tons per year in July when the mill comes on stream. The rest is exported, mainly to the European Union, the Middle East and the United States. Exports account for 55 percent of Egyptalum's \$300-million-a-year sales.

The mill, which is being constructed by Clegicem of France, will greatly enhance Egyptalum's export earning potential. The hot mill is due to begin test runs in July and has a design capacity of 100,000 tons per year. The cold mill, which is due to come on stream in September, is only the second that the contractor, Pechiney, has ever installed. It is a DSR (dynamic shape roll) mill capable of producing exceptionally thin (0.2 millimeters, or 0.00788 inches) and uniformly even aluminum sheeting.

Egyptalum expects the cold mill's 600 million Egyptian pound (\$176.6 million) annual output to sell like hotcakes, particularly in the United States, which is a major consumer of cold press sheets and flats for canning and packing.

"We already have orders from Commonwealth Metal Corp. of the United States and MGMA [part of the Metallgesellschaft Group]," says Mahmoud Agag, the rolling plant director. Most of the 1 billion Egyptian pound finance for the mill construction comes from company resources, the impending share flotation and 450 million Egyptian pounds in loans from Egyptian banks.

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Egypt

STOCK MARKET MAY GO INTERNATIONAL

As privatization speeds up, so does investors' interest.

There was pandemonium early this month in the offices of Triple A Company for Securities Trading, brokers to the Alexandria Pharmaceuticals Co., when applications for its first public share offer came flooding in. So large were the cash receipts that the brokers had to open a process room.

"People had been reading about [the offer] for the past three or four months in the press," says Mohamed Hosny, vice president of Triple A Securities. The word was out that it would be "another Pachin," the Paint & Chemicals Industries Company flotation launched at 250 Egyptian pounds (\$73.57) a share, which touched 720 Egyptian pounds before settling at 638 Egyptian pounds. Good profits were made in the stock market in 1994, the index increasing one and a half times over the year.

This year has so far been much quieter — which would explain why so many people registered themselves, their children, their grandchildren and long-departed ancestors for the Alexandria Pharmaceuticals offer. In the event, it was 15 times oversubscribed, while Pachin was 10 times oversubscribed.

Sure-fire winners
First flotations of privatized companies, especially well-run companies, are sure-fire winners because only a few shares are offered in order to create a market for larger subsequent flotations. The authorities pitch the offer at average people in the belief that they should enjoy some benefit from the sale of state assets.

The success of Alexandria Pharmaceuticals is good news on two counts. It helps



Egyptian men and women working at the Cairo Stock Exchange.

taken place with Amreyah Cement and Kabo 'El Nasr Clothing and Textile, where a 22-percent private shareholding before privatization has been raised to 30 percent.

New funds
New funds are being tapped slowly, and the market is deepening. It needs to. Of the Cairo stock market's 18 billion Egyptian pound market capitalization only around one-third is issued shares and in the float, making for a very thin market.

The hope now is that for eight investors who have been eyeing the Cairo market will start participating. "International funds will bring liquidity," says Aly el-Tahy, joint managing director of Hermes Financial, noting that the firm tends to see emerging markets in a regional dimension. Most of the big investment institutions have a representative in Cairo now, but have been deterred from dealing by the antiquated clearance system, among other things. A new clearinghouse is being established by Banque Misr that will reduce settlements to a simple book entry.

New money should spawn new products that the market badly needs. The four homegrown mutual funds established over the past year or so have been hamstrung by the lack of investment outlets. On the whole, they have performed creditably, considering that they had to ride out the October 1994 stock market correction before notching up gains.

A.M.

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A.M.

BANKING: MORE THAN ENOUGH BUSINESS

Egypt offers public- and private-sector banks for every type of clientele in the country — and outside of it.

Banking in Egypt is undergoing a cultural as well as technological revolution as capital markets get into their stride and automation begins to transform the very nature of retail banking. At the same time, the deregulation of fees and commissions is shaking up the industry.

The banking community in Egypt is a heterogeneous group catering to very different clientele. At the heart of the system are the "Big Four" public sector banks — National Bank of Egypt (NBE), Banque Misr, Banque du Caire and Bank of Alexandria — which still control 65 percent to 70 percent of bank deposits but generate only a small fraction of total profits. There is a group of local and Arab private-sector banks that caters to the needs of local industry and commerce, as well as expatriate Egyptians in the Gulf. There is also a group of private-sector "Western" banks that mainly serve Western corporate interests and high-net-worth individuals.

The state banks have spent

the last two years grappling with internal reorganization to accommodate the new market-led credit environment. They have also had to cope with the introduction of an automated national clearing system and the SWIFT international payments system. They have used the strength of their branch networks — they still own around 60 percent of the total — to promote credit and hire purchase schemes, and they can be expected to offer mortgages now that they have been legalized. In addition, they are moving into stockbroking and investment services.

NBE and Banque Misr were pioneers in launching their own mutual fund, and, along with Banque du Caire, in marketing their own Visa cards.

The Big Four are encumbered by their ties with the hard-core public-sector state enterprises. They will not really be able to restructure until a solution has been found to refunding the public-sector debt.

The smaller private-sector banks have resisted Central

Bank attempts to have them merge. Nevertheless, they are under pressure to consolidate, reduce their liabilities and improve their loan portfolios. The Central Bank has concentrated on improving reporting standards and asking banks to upgrade their lending ratios to conform with the internationally recognized Basel requirements.

Western banks

For the Western banks, the market and the challenges have been different. By far the most relevant factor was the 1992 government decision to allow foreign branches with a capital base of \$15 million or more to deal in local currency without being subject to local banking provisions.

Fortunately, Cairo banks have been so profitable these past five years that there has been more than enough business to go around. "Egypt is still profitable," says Ahmed Dabbous, the regional head of American Express, which has four branches in Egypt.

"Most of the leading banks, including us, are making a return on equity of 18 percent to 20 percent." The main source of profits is still trade finance, short-term lending up to one year and opening letters of credit for corporate clients. Mr. Dabbous predicts that those who have made the move into corporate finance/capital markets activities will make good money. "The know-how is not there yet; neither are the commodities, so they can charge good margins. The market will experience a sharp learning curve over the next two years, after which we will see good activities developing," he adds.

Indeed, banks that concentrated on finding and keeping "blue-chip" customers when there were still easy pickings to be made in T-bills have fared best. Egypt's

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THE EXCHANGE RATE QUESTION LOOMS LARGE

To devalue or not to devalue has been the question haunting the Cairo business community this past year — to the intense annoyance of the authorities, who have seen investment decisions deferred in consequence.

For a time, the question even complicated relations with the International Monetary Fund, which was widely reported to be in favor of the move.

Fences have been mended with the IMF and a proper perspective on the issue restored. But for Minister of State for International Cooperation Youssef Boutros Ghali, the exchange-rate question is a classic example of the way issues can be oversimplified and distorted. The issue

is a set of policy measures of which the exchange rate is only one component. I can live with an undervalued, overvalued or a floating rate, depending on what I do with the rest of the system," he says.

The government resisted, however, and for the time being at least, appears to have won the argument.

Interest rates have been kept at a steady 3 percent premium on dollar rates and over the past year the Egyptian pound has been allowed to slip around 2 percent against the U.S. currency, in effect, a significant devaluation against most major European currencies and the Japanese yen. The preferred method of helping exporters, who have been

complaining about the uncompetitive exchange rate, is to tackle bureaucracy and regulatory obstacles while improving marketing quality control and management. Mr. Boutros Ghali maintains that "these are far more important than price competitiveness."

Egypt has established a stable equilibrium in its current account balance, backed by reserves of around \$17.5-18 billion — a comfortable 16 months of imports. "Capital can flow in and out; it is not used to finance the current account," says Mr. Boutros Ghali. Egypt was consequently untouched by the turmoil that Mexico's financial crash created last year.

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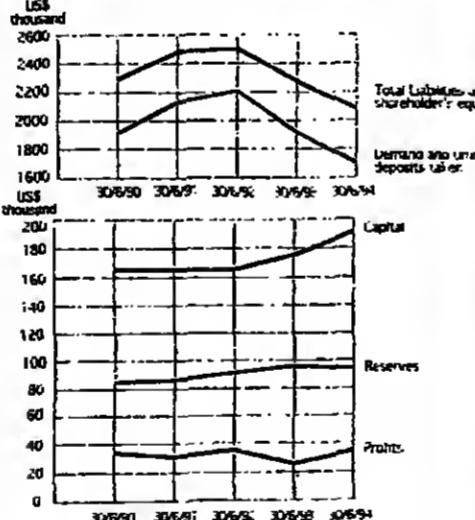
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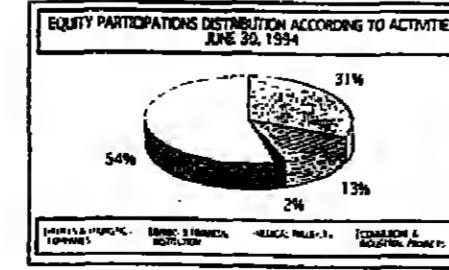
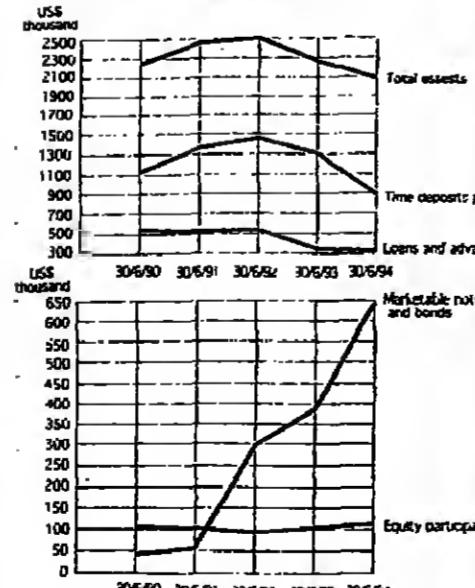
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ALEXANDRIA**THE POWERHOUSE OF EGYPT HOLDS MILLIONS IN THRALL***The city attracts tourists, historians and literati.*

Alexandria has always occupied a special place in the popular imagination by virtue of its associations with Alexander the Great and Anthony and Cleopatra. Its lighthouse was one of the seven wonders of the world, bespeaking Alexandria's status as one of the greatest cities in the world in the six centuries that straddle the birth of Christianity.

Little links ancient Alexandria with the modern city that flourished on the back of the cotton boom and the development of the port in the last century – both of which helped enrich the mythology. The city's free port status, established in Ottoman times and ended only in 1937, accentuated the cultural ambivalence inherent in the city's location – an isthmus with its back to Egypt, facing the Mediterranean.

The idea of a free city was a theme that the Greek poet C.P. Cavafy, writing in the early part of the century, and Lawrence Durrell, before and during World War II, developed in their writings.

During World War II, Alexandria was the Allies' first defense against the advancing army of the Axis. Alamein, where the Allied Forces under Montgomery turned the tide in the Desert War, is a mere 80 kilometers (50 miles) west of Alexandria. Since the 1952 revolution and the centralization of power under Nasser, the city has been brought firmly within Egypt and into Cairo's ambit. The foreign community has largely

gone, and the municipality – the first to be formed in Egypt, exactly one hundred years ago – has lost its financial independence.

The city did benefit from Nasser's industrialization program: 40 percent of Egypt's industry, mainly food processing, textiles and refineries, is based in its hinterland. And it became the country's main summer recreation center, with more than 2 million Egyptians annually on its beaches.

Urban migration and greater prosperity in recent years have swelled the native population to 4 million, almost twice the 1976 census. But the city's commercial life – the community of bankers, brokers and shipping agents – was effectively destroyed. Today it has a few good restaurants and movie theaters, but no pretensions to emulate the nightlife of the capital.

Tourism and development
It is because Alexandria is as much a state of mind as it is a place that its allure transcends this rather provincial setting. The authorities are beginning to take a greater interest in the city's history and its commercial potential. Excavations to find the site of Alexander's tomb have so far come to nothing, but one scheme, backed by UNESCO, is bearing fruit. This is a plan to build a new library to commemorate the Great Library burned down by Christians in 415.

Meanwhile, more practical schemes are being implemented. The beaches have

*Alexandria's commercial district on the Mediterranean Sea.*

been cleaned, and a new sewage treatment plant has been commissioned that eliminates the need to pump raw effluent into the Mediterranean. And it became the country's main summer recreation center, with more than 2 million Egyptians annually on its beaches.

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Oui de saison, il est facile à

SHIPPING AND COTTON INDUSTRIES REVIVING*Two traditional Alexandria industries are moving toward privatization and increasing international trade.*

It is ironic that the two sectors most responsible for Alexandria's 19th-century renaissance – shipping and cotton – should still be in decline, both victims of the dead hand of state monopoly. In the case of shipping, the state has been reluctant to let go of a lucrative rent for doing nothing, and the shipping agency business is thus likely to be one of the last to be handed back to the private sector.

Shipping agents take the long view. Shipowners would rather pay twice over, passing the cost on to the consumer, to ensure they have a man in port looking after their interests. Says Admiral Saad Ragab, vice-chairman of Worms Alexandria Cargo Services, "I'm in no hurry. I'm well established with the shipowners, and they pay me well."

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Nevertheless, private shipping agencies are positioning themselves in anticipation of privatization. "There has been a gradual transfer of activities to the private sector, mainly in marketing, which is something the state can't do," says Mr Ragab.

The shipping industry is changing with the development of containerization and the advent of computerized systems. These will all result

in cheaper and quicker service, which will largely be provided by agents based in Alexandria and Port Said. Alexandria will remain Egypt's principal port. It has been extensively redeveloped with container facilities in the past 15 years, and the deepwater port of Dakhla has been added. Total capacity of the two is 35 million tons per year.

In some ways, the future lies in Damietta. This will be Egypt's transshipment port, where mother ships will discharge to feeder ships that will serve smaller ports in the region. Worms has already established a computerized document handling system with a Japanese line, Nippon Yusen Kaisha, for transshipping supplies through Damietta.

Cotton market opens

The government has taken an important step to revive the cotton industry by freezing cotton prices and clearing the way to reopen the Alexandria Cotton Exchange. But the industry is still in hiatus as the authorities make some far-reaching decisions on whether an expanded cotton growing industry should be sold to the

domestic market or abroad.

According to Ahmed Shoman, chairman of the state-owned Cotton and International Trade Co., who helped draft the law freezing cotton prices, the aim is to restore cotton's competitive position internationally and regain lost markets. To this end, export prices are being

brought more in line with world levels and announced in September each year, and a suitable amount of the harvest is being conserved for export according to the level of local demand.

This strategy helped put Egypt's fabled Extra Long Staple (ELS) cotton back on the map last year. Old customers driven away by uncompetitive prices returned, including Hong Kong, India, Indonesia and Taiwan, and new ones, in the shape of Bangladesh, Morocco, Pakistan, Singapore and South Africa, were found.

The current rethink about the cotton industry goes deeper than simply reviving exports. Some believe Egypt should be developing downstream industries for its ELS cotton and exporting it as cloth and garments. While this policy review is in progress, President Hosni Mubarak has ordered a ban on cotton imports, which have grown substantially over the years as Egypt's own cotton growing industry has declined.

Clearly the priority must be to improve cotton yields and yarn quality, focusing on growing the premium ELS. These improvements, together with market prices, will produce the margins that will make cotton growing attractive and increase the area under cultivation. Until the present hiatus is resolved, however, and production rises, satisfying both the domestic market and exporters is going to be hard. Production in 1994-95 fell 40 percent, to a forecast 4.9 million kantars (245 million kilograms) due to bad weather conditions and a bollworm infestation. A measure of how far cotton has declined as an export earner can be gauged by the fact that in 1993-94 – a bumper season – 2.3 million kantars were exported, less than a third of export levels in the early 1960s. In 1994-95, exports are expected to be no more than 1.3 million kantars.

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ALEXANDRIA'S DECENTRALIZATION UNDER WAY

Poised on the brink of economic take-off, Egypt needs to explore that "free city of ideas" that was Alexandria before the 1952 revolution, drawing on the city's past experience of independent municipal government to galvanize the private sector into economic development.

Since the 1952 revolution, Alexandria, like the rest of the country, has answered to Cairo. The central government still dispenses regional funding, but the regional authorities are beginning to have discretionary powers.

A leading businessman and local MP, Ahmed Khairi, estimates that most governors have discretion over around 50 percent of their budgets, but Alexandria has always had more

leeway and been able to carve out a small measure of independence from Cairo. Furthermore, its private sector has the elements, history, exposure to the outside world and practical experience to make decentralization work.

Powerful voice
For a start, the city has not lost its business identity. The Chamber of Commerce, which operates on the French system that requires all businesses to register, has issued more than 400,000 licenses. The Alexandria Businessmen's Association (ABA) is a powerful and effective voice in city and national affairs. The opening of a branch of the American Chamber of Commerce in

Egypt, in the premises recently vacated by the American Consulate, will add another voice to Alexandria's business community.

The ABA is used to taking an independent line. It refused to channel help to victims of last November's flooding in Upper Egypt through the authorities and instead built them a village for 3,000 people.

Another example of ABA providing a practical model for the rest of the country is its hugely successful Small and Micro Enterprise project started with U.S. AID in 1989. The purpose of the project, to which U.S. AID is contributing \$10 million, is principally to create jobs. If each of the 1.2 million enterprises employing 10 or

fewer people in Egypt could create one extra job, the back of the unemployment problem would be broken.

The approach is to provide working capital of up to 25,000 Egyptian pounds (\$7357) at commercial rates to small enterprises that would otherwise be constrained from growing by the extortionate rates charged by loan sharks for supplier credit and wholesalers who exploit their need to generate cash flow. The scheme also introduces these enterprises to banks and provides the necessary training in costing, book-keeping and accounting to help them integrate into the formal economy.

According to executive director Nabil el-Shami, the

beauty of the scheme is its simplicity. The bigger the loan, the greater the commitment to first register employees for social security, pay taxes and finally draw up a balance sheet.

"We use the amount [we lend] as a hook to transfer the enterprise from the informal to the formal economy. But it is left to the individual to decide whether he wants to increase the loan. We never stop providing loans," he says. Pro rata, the scheme has increased production in these enterprises by 47 percent, employment by 25 percent and workers' wages by 26.4 percent. The operational costs, at 8 cents to the dollar, are the lowest of any such scheme in the world, almost half those of similar schemes in Latin America. Only \$700,000 of the \$2 million allocated was needed to start the scheme.

U.S. AID has agreed to open three more programs: in Port Said, Assiut and Kafr el-Sheikh, in addition to those already operating in Alexandria and Cairo. ABA will run the Kafr el-Sheikh program and provide technical assistance to the others, including Cairo. El-Sheikh attributes ABA's success to the fact that it has been run entirely by people from the private sector.

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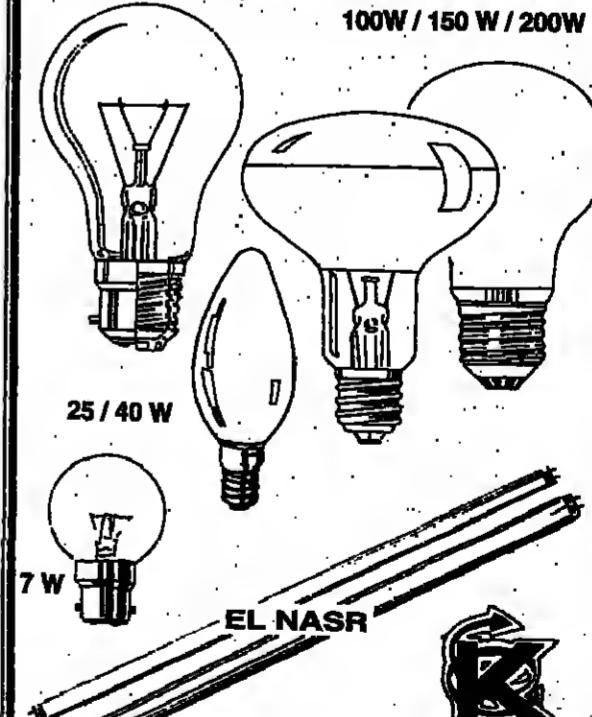
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Egypt

PRODUCING FOR GLOBAL MARKETS

In both local and international markets, Alexandria feels at home with competitive business.

The Alexandrian entrepreneur thinks strategically and is not someone out for a quick buck, says Ahmed Khairy, the local MP who made his fortune in shipping and transport and has since moved into farming and other activities. "A businessman is someone who creates something," he contends. "I don't consider someone who imports and exports a businessman; he is a trader."

Perhaps because Alexandria has been on the periphery of Egypt's political life since the 1952 revolution, the business community has had to think in the longer term, toward export markets, particularly in Europe.

JOINT VENTURE TAKES A RISK

Chemical companies have financial, natural resources.

If all Egyptian public sector companies started life on the same footing as the Abu Qir Fertilizers and Chemical Industries Company, backed by suitable technology and unshackled from the usual social and political constraints that dog state enterprises, there would be fewer basket cases. But the trick is also to build the business, and this company has succeeded in giving the country a needed commodity at competitive prices:

The company was formed in 1975 to exploit a large gas deposit discovered in Abu Qir bay some 20 kilometers (12 miles) west of Alexandria. Its goal was to use nearby gas as a feedstock to produce nitrogenous fertilizer for the agricultural sector. Financing, including some aid from Germany, was not difficult to find: Two German companies, Uhde and Mannesmann, were contracted to build a urea plant (Abu Qir I), which was commissioned in 1979. An ammonium nitrate plant (Abu Qir II) was added in 1991. Abu Qir I & II currently produce 1.2 million tons per year between them, about 60 percent of Egypt's nitrogenous fertilizer needs, and generate sales of \$500 million Egyptian pounds (\$147.1 million).

There are plans for a second urea plant (Abu Qir III), which will make Egypt self-sufficient in nitrogenous fertilizers by the year 2000.

The \$300 million needed is being raised by the company and its shareholders: a mix of banks, insurance companies, the Kima Fertilizer Company, the Petroleum Authority and private individuals. The company was privatized in 1990.

According to chairman Osama el-Ganany, it will be the first project of its size in the region to be self-financing. Bids from Japanese and American companies, as well as from Mannesmann and Uhde, are being studied.

Stock market debut
The seeds of the recent spectacular stock market debut of Alexandria Pharmaceutical Co. were sown by Dr. Hassan Abbas Helmy, president of the Pharmaceutical Association of Alexandria and doyen of the local industry. Dr. Helmy and his colleagues built the company up over 15 years before he branched out into the private sector in 1978. In 1987, he established Pharco Pharmaceuticals, based in Amreya.

Dr. Helmy's claim to fame is to have introduced the soft gelatin capsule into Egypt - the product of a 30-year-plus association with U.S. pharmacist R.P. Scherer, who pioneered these capsules in the United States. R.P. Scherer Egypt, a joint venture between R.P. Scherer Corp., Pharco and Helmy, opened for business in Bourg el Arab New City in 1993 and now provides all Egypt's capsule requirements, turning over 40 million Egyptian pounds a year.

Dr. Helmy is a great advocate of applied technology. When he set up Pharco, he opted for installing and improving a new and relatively

Ahmed Khairy himself was on a plane to Israel hours after the normalization of relations in 1980 to revive shipping links with the Alexandrian Jewish community there. He is promoting a \$950 million refinery in Alexandria, the biggest private venture with Israel.

Ali Soliman is another Alexandrian who was "ready to think two years down the road" when he bought out Wilkinson Sword's 51 percent stake in its joint venture with Alexandria Metal Products Company (AMPC) in 1981. The razor plant was losing around \$2 million a year at the time. But Mr. Soliman,

who had become the company's distributor a few months before Wilkinson withdrew, concluded it was poor marketing, not the product, that brought the venture down.

Within a year, the operation was in the black, and it has been ever since. Lord Precision Industries, as the venture was restyled, has sextupled capacity to 1 billion blades a year and now has 90 percent of the local double-edged and 50 percent of the metal strip market, yet still derives half its \$14 million turnover from exports to 37 countries worldwide. A free zone company, Lord International Unusually, Philips was al-

lured to keep a 50 percent stake in the company at the time of nationalization in the early 1960s. Now the company is being restructured before privatization. Mr. Seefin wants Philips to raise its stake and upgrade his op-



Employees at work for Lord International (left) and Philips (right).



eration from a product to a producer center, effectively plugging it into the Dutch multinational's global supply, production and distribution nexus.

He has done this by having the company certified

for ISO 9002 by the same Dutch company that certifies Philips in the Netherlands. Since receiving certification just over a year ago, the company's exports have tripled. ISO 9002 has the further advantage, Mr. Seefin maintains, of allowing for a continuous improvement in productivity.

Mr. Seefin intends to promote exports of lighting equipment, believing that its high labor intensity gives him a competitive advantage

the audiovisual equipment and electrical white goods side of the business lacks. He is looking to exports to provide economies of scale that will enable him to expand the production range.

Another Alexandrian entrepreneur looking to ex-

port to secure his future is Ahmed Sid Ahmed, whose family owns Amreya Metal Co., Egypt's only private sector metal castings company. It is a venture that is perhaps a little before its time, but Mr. Sid Ahmed has more local orders than he can handle, and they are profitable. He supplies Peugeot's auto assembly plant and the spare part market. He, too, is applying for ISO 9002 certification.

Local orders are too small to develop true economies of scale, so he has his eye on Western Europe. He believes that on long production runs he can compete with the prices offered by East European, Indian and Chinese manufacturers.

A.M.



The Abu Qir Fertilizers and Chemical Industries Company plant.

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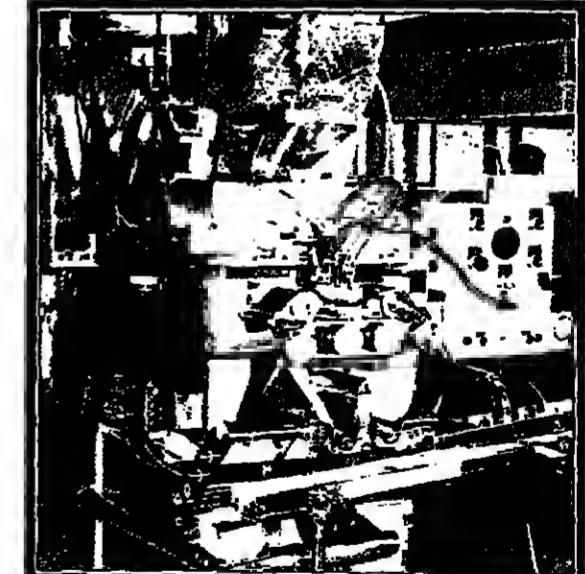
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Egypt

COUNTRY SET TO WELCOME AN INCREASE IN TOURISM

Millions enjoy antiquities, natural beauty... and deluxe accommodations.

E

Mr. Ghabbour acknowledges the adverse impact of political violence on the industry. "We had up to 3 million visitors annually before the terrorism," he says, "then in 1994, it was only 2 million, but 1995 is improving, and the figures could reach 3 million."

He points out that private investment in the sector over the past five years has reached \$2 billion and that the same could be achieved over the next five years. Egypt already has facilities for 5 million visitors annually, and new areas are being opened on the Red and Mediterranean Seas. Oasis tours, safaris and rallies are also being developed.

Government efforts to promote Egypt as a conference venue are enhanced by facilities like the Cairo International Conference Center (CICC). The CICC offers 58,000 square meters (69,000 square yards) of conference facilities on a 30-hectare (74-acre) site and is a 10-minute walk from the Cairo Stadium and the Cairo International Exhibition grounds. With the recent United Nations conferences on development and on crime, it proved that it can handle the largest international events. Considering all this, it is not surprising that Mr. Ghabbour sees a bright future.

The best of everything
He insists that there is every reason for tourism to grow. "We have the best antiquities in the world, growing number of resorts, the best climate and educated people who speak English and French as well as Arabic. And Egyptians are by nature hospitable," he says.

Egypt is also very competitive price-wise. Five-star hotel room costs as little as \$80 a night, and overall

costs for a holiday are around half those of a holiday in Greece.

"Middle East Riviera"
Mr. Ghabbour's confidence is shared by Victoria United Hotel's chairman, Hussein Salem, whose eyes - and investments - are fixed on Sharm El Sheikh, one of Egypt's fastest-growing resort areas. The Sinai peninsula has been unmarked by the political violence seen elsewhere in Egypt, and its hotels are crowded year-round, particularly with European tourists, many of whom bypass Cairo and fly directly to Sinai.

Mr. Salem's second major investment is the South Sinai Water Company. This company runs the desalination plant; it is also the first private water venture in Egypt in the last 75 years.

In its first stage, the South Sinai Water Company is providing 3,000 cubic meters of fresh water daily to the Naama Bay area. A second stage will extend to the rest of Sharm El Sheikh and will also use treated wastewater for gardens. Finally, stage three will push production to 6,000 cubic meters per day.

Mr. Salem sees the region as charting new paths not just for the tourist industry but also for Egypt's economy overall. "This is the beginning of a 'tigers of the Far East' type of growth; it is starting here," he says, citing a per capita income of \$3,000 in Sharm El Sheikh, compared with \$600 for Egypt generally.

Back in Cairo, Mr. Ghabbour is supporting his words with action. Within two years, he will have completed an 18-hole golf course and health-farm complex close to his existing Sonesta Cairo hotel, a Red Sea coast resort that includes a five-star hotel, a marina in Luxor to service cruise boats and possibly a second golf course.

"Nothing can make us hesitate now," said Ghabbour. "Within 10 years, Egypt will be a pearl of world tourism."

Mr. Salem has invested around \$100 million in Sharm El Sheikh's Naama

Bay area in the past six years, including \$34 million on a Moevenpick Hotel-Jolie Ville and \$15 million on a water desalination plant. In addition, \$30 million is planned for the South Sinai Golf and Country Club.

The Moevenpick complex contains not just the traditional resort facilities such as a health club, pools and a diving center, but also has its own sewerage treatment plant whose recycled water is used for the hotel's extensive gardens.

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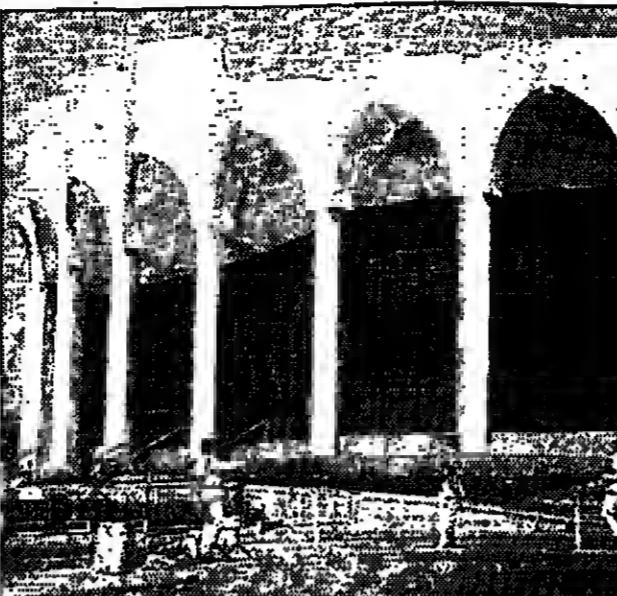
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The Cairo International Convention Center (left) was the site of two recent United Nations conferences; a dive boat (right) cruises along the Sinai Peninsula.



SINAI PENINSULA: MUCH MORE THAN BEACHES

Between two gulfs lies a paradise of natural life on land and under water - plus water sports, historical monuments and a Bedouin desert.

At the southernmost tip of the Sinai Peninsula sits the Ras Muhammad National Park. Flanked on the east by the Gulf of Aqaba and on the west by the Gulf of Suez, its paths lead visitors to superb beaches, inlets and sea

park came in 1983, just as tourism development was getting underway along the Gulf of Aqaba. It now offers the best hope of survival both for one of the world's premier coral reefs and for the vibrant tourist industry that it has inspired, for whatever else south Sinai has to offer, it is the clear, warm waters of the Gulf that bring in the tourists. Hotels offer everything available in the way of water sports.

Central to all resorts are snorkeling and scuba diving.

The Gulf of Aqaba contains a natural life that is as rich as a tropical rain forest, with 150 different species of coral and thousands of species of brilliantly colored fish.

Many visitors choose the area just for the diving, and numerous diving centers offer courses at all levels. At the same time, sailing, wind surfing, waterskiing, day and night trips to the underwater observatory at Ras Muhammad, water polo and just plain swimming are all,

of course, provided for.

The Ras Muhammad park is also being extended farther inland to protect a desert environment that is home to a very special Bedouin culture and to a natural life that includes desert foxes, hyenas, gazelles, and dozens of bird varieties, as well as oases and historical sites.

Horseback riding, safaris, camel rides and mangrove picnics have been added to traditional visits to St. Catherine's, a Christian monastery whose earliest construction dates to the

year 330 and which houses a rich collection of icons and precious manuscripts.

As the choice of activities expands, so do efforts to preserve the region. All guides and boats working in the Ras Muhammad area must be licensed, and environmentalists are now seeking similar controls for tour guides and drivers.

Environmentalists also hope general standards will be developed to regulate the care of the environment.

P.D.

WOMEN HOLD POWER IN KEY PUBLIC POSITIONS

Government and academia benefit from the strong presence of women, in a tradition that is now entering its seventh decade.

In Parliament, in government ministries and in academia, Egypt's women are determined to lead their country into the 21st century, not just to follow where Egypt's men take it.

They are the heirs of a solid tradition of women's involvement in public life. Egyptian women were active in the 1920s in the struggle both for national independence and for women's rights. The 1952 revolution encouraged women's education and participation in public life.

From 1975 to 1986, the public sector hired 130,000 graduates annually, 51 percent of whom were women. Now the number is down to 30,000 graduates. Nevertheless, there are some positive developments. Egyptian families are placing a high priority on health care, and infant mortality rates and population growth are both slowing. These changes benefit women in the long term. But poverty is affecting access to education.

Families have an improved attitude about sending their children to school, says Ms. Handoussa, but the poor have to choose between educating their children and sending them out to work. Figures show that fewer girls are going to primary school.

Representing the other end of the education scale, Ms. Gouda says she was surprised by her appointment to the cabinet, and now she is determined to use her position to promote Egypt's economic development by maximizing the contribution of the country's scientific community. "In Egypt, science and technology have not proved what they can do. Now we need short-term, medium-term and long-term strategies to be incorporated into all domains." In the process, Ms. Gouda will keep the progress of women in mind.

"I believe a woman has to work much more to get her rights, to prove herself, and if there are two people for a job and they are equal I take the woman because she needs to be encouraged. Men still dominate women," she continues, "and often don't encourage them to achieve. I want to prove that they are capable."

In her role as a Member of

Parliament, Mona Makram Obeid likes to tackle everything from foreign relations to the budget.

She is convinced that educational reform is the key to solving many of Egypt's problems, including those of women's literacy and working opportunities. She is now working with a group of businesspeople, politicians, artists and writers to set up a foundation that will support education in poor areas.

She denies having a role as spokesperson for women within Parliament itself, but says, "I think I have a responsibility to sensitize the other members to gender issues, to show them how issues such as gender adjustment affect women first."

In her career, Ms. Obeid

has faced her own struggle against tradition. She grew up in the home of her uncle, Mafraim Obeid, a leading political figure of the 1920s.

When she announced her intention to follow in his footsteps, her family's response was, "We don't have women in politics." With the support of an 83-year-old aunt, she persisted, ran for election twice and was finally appointed to her seat by Egyptian President Hosni Mubarak.

After five years in Parliament, she loves the job and wants to continue. She is confident that Egypt is progressing against all the odds and, like Veens Kamel Gouda and Heba Handoussa, she is determined to go on playing her part in Egypt's public life.

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Injury Mutes Red Wings' Victory Party

The Associated Press

As he hobbled out of the Detroit locker room on crutches, Steve Yzerman injected a sense of concern into a Red Wings team that was celebrating a four-game sweep of the San Jose Sharks.

A 6-2 win Saturday night in San Jose, in which Vyacheslav Kozlov scored twice for the second straight game, sent the Red Wings into the Western Conference

NHL PLAYOFFS

once finals against the Chicago Blackhawks starting June 3.

But Detroit does not know if its captain will be able to play in that series. Yzerman is scheduled to undergo an MRI Sunday on his sprained right knee, which locked up in the second period of the game Saturday.

"We're concerned," said Detroit forward Bob Errey, who scored the Red Wings' fifth goal. "He anchors the power play, the penalty killing. He does it all. He leaves a big hole in the lineup. If you're going to win anything, you need Steve Yzerman out there."

Blackhawks 4, Canucks 3: Chris Chelios scored in overtime for the second straight game to give Chicago the comeback victory over Vancouver and a four-game sweep of the Western Conference semifinals.

Chicago's sweep eliminated last year's Stanley Cup finalists and marked the end of 25 seasons for the Canucks at the Pacific Coliseum. The Canucks will move into luxurious GM Place in downtown Vancouver in September.

Devils 2, Penguins 1: Neal Broten scored his second goal of the game with 1 minute, 24 seconds left in overtime to give New Jersey the home-ice win over Pittsburgh and a commanding 3-1 lead in the Eastern Conference semifinals.

Flyers 4, Rangers 1: Philadelphia, with two goals from defenseman Karl Dykens and another sharp performance from goaltender Ron Hextall, beat New York at Madison Square Garden to complete a four-game playoff sweep of the defending Stanley Cup champions.

Pirates Can't Beat Rockies' Freeman

The Associated Press

Mike Kingery and Vinny Castilla hit home runs and Marvin Freeman stayed undefeated in his career against Pittsburgh as the Colorado Rockies beat the Pirates, 6-3, Sunday to end a four-game losing streak.

Kingery led off the third inning in Pittsburgh with his third home run and Castilla's sixth followed Dame Bichette's single. Bichette also had an RBI single in the first against Rick White.

Freeman, who improved his career record against the Pirates to 4-0, had a career-high eight strikeouts in six innings as he dealt the Pirates their third loss in 11 games. Bruce Ruffin relieved with the bases loaded and none out in the ninth and picked up his seventh save.

Giants 5, Mets 1: Matt Williams and Steve Scarsone hit two-run homers in the eighth inning in New York to lead San Francisco over the Giants. Barry Bonds broke a scoreless tie with a solo shot in the sixth.

Mark Portugal allowed five hits in eight innings, striking out three and walking two.

Padres 13, Phillies 5: San Diego rallied against Health-cliff Slocumb in the ninth inning and then tied the National League record for most runs in a 10th in a victory at Philadelphia.

Phillies 5, Padres 4: Charlie Hayes singled over a drawn-in outfield in the bottom of the 10th, driving in the winning run from third as the Padres defeated visiting San Diego.

Astros 3, Braves 2: James Mouton hit a solo homer in the bottom of the 10th inning, giving Houston a victory at home that snapped its four-game losing streak.

Mets 6, Giants 3: Bret Saberhagen pitched the first complete game of the season for the Mets, who snapped a six-game losing streak with a win at home over the Giants.

Saberhagen, showing no signs of the shoulder stiffness that forced him to leave his pre-

NL ROUNDUP

vious game May 19, gave up seven hits, struck out five and walked one.

Cubs 3, Marlins 1: Howard Johnson, the first batter after a two-hour rain delay at Wrigley Field, hit a go-ahead sacrifice fly in the seventh inning as Chicago beat Florida.

Pirates 9, Rockies 4: In Pittsburgh, Denny Neagle won his fourth consecutive start and the Pirates scored eight runs in the third inning to beat Colorado.

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SPORTS

Griffey Breaks His Wrist Making Spectacular Catch

Compiled by Our Staff From Dispatches

SEATTLE — Ken Griffey Jr., one of the best and most electrifying players in baseball, won't be making any magical plays in the field or getting any clutch hits for at least three months.

The best player in the history of the Seattle Mariners was recovering from surgery Sunday after fracturing his left wrist when he crashed into the Kingdome wall while making a spectacular catch during Friday night's game against the Baltimore Orioles.

"I thought I had just jammed it pretty good at first," Griffey said. "Then I looked at it and I could tell it was broken."

It happened in the top of the seventh inning of a game the Mariners were leading 4-3, and would win, 8-3. With one out, Dennis Perdomo and Nick Anderson failed them. Even the composure that helped them win the first two close games of the Eastern Conference final deserted the Magics on Saturday as they succumbed to the Indians, 105-100.

O'Neal got in foul trouble and scored just 18 points. The dead-eye perimeter shooting of Dennis Perdomo and Nick Anderson failed them. Even the composure that helped them win the first two close games of the Eastern Conference final deserted the Magics on Saturday as they succumbed to the Indians, 105-100.

The Pacers shut down the Magic in the fourth quarter and can't be the best-of-7 series with another win Monday at Market Square Arena, where the Magic have lost seven straight.

Griffey, racing back to his left wrist first, bearing the brunt of the impact and getting stuck between the pads in the outfield wall. He rolled over on to his back, flipped the ball out of his glove to right fielder Alex Diaz, then got up and began walking toward the dugout.

"That's probably the greatest catch I've ever seen," Baltimore manager Phil Regan said. "It was a tremendous catch and a tough break for him. He is such a great athlete and an outstanding ballplayer."

Griffey, a five-time All-Star and a five-time Gold Glove-winner, center fielder at 25, underwent two hours of surgery Saturday morning to have a metal plate and five screws attached to his left wrist.

Larry Pedegana, the Mariners' team physician who assisted in the surgery, said he expected Griffey to make a full recovery. But he added that there was virtually no chance of speeding Griffey's rehabilitation.

Griffey's injury could hardly have come at a worse time for the Mariners, who were off to their best start in franchise history, at 15-12 with the victory on Friday. (AP, WP)

Pacers Have Magic Touch At Home Against Orlando

The Associated Press

"We were playing their style in Game 1 and Game 2," said Reggie Miller, who led the Pacers with 26 points. "We did a good job in the second half of getting to their shooters and keeping Shaq from getting down low."

After scoring 71 points on 70 percent shooting in the first two games, O'Neal was 8-for-15 from the field. He picked up his fourth foul early in the third

quarter and spent a lot more time on the bench than he's used to.

"I didn't even break a sweat," he said.

"We bothered him a little more," said forward David Davis, who along with Antonio Davis assumed the bulk of defensive duty when Rik Smits got into foul trouble. "We got him off the block some. That made it a little tougher on him, and we tried to double on him more."

The Magic still hit 13 3-pointers, giving them 36 for the series, but their shooters sputtered in the fourth when Orlando missed 15 of 22 field goal attempts.

"We held them to one shot down the stretch and that was a big difference," Pacers coach Larry Brown said. "Our post defense was better today, and therefore our perimeter defense was better."

The Pacers hit seven of eight free throws in the last 30 seconds to seal the victory. Indiana had 41 free throw attempts, making 33.

Spurs 107, Rockets 102: San Antonio, their season in its death throes after two home losses to Houston, climbed back into the Western Conference finals Friday with a 107-102 road victory.

The Spurs snapped Houston's five-game playoff winning streak, but the Rockets still took a 2-1 lead in the best-of-7 series into Game 4 on Sunday.

Hakeem Olajuwon scored 43 points, but his supporting cast, so reliable in the first two games, failed as San Antonio rallied from 11 points down early in the third quarter, then broke away from an 89-89 tie over the final six minutes.

Avery Johnson, who had 20 points and 13 assists, made five of six free throws in the final 45 seconds to clinch the victory and assure a Game 5 on Tuesday in San Antonio.

"We were so much more focused," said David Robinson, the Spurs center and the league's most-valuable player. "Our defensive intensity was through the sky. The last couple of games we were disjointed."

Robinson scored six of his 29 points during an 11-2 outburst that put the Spurs ahead, 100-91, with 2:05 to play.

Vinny Del Negro, who scored just 12 points in the previous games, tied his career playoff high with 19 for the Spurs, while Sean Elliott scored 21.

"We're just trying to be aggressive," Del Negro said. "We got some easy baskets. We got more of our style of play. We hadn't been doing that. We got the ball out quick and we attacked the basket."

Clyde Drexler scored 21 for Houston, only four in the second half, while Robert Horry added 18. Olajuwon had five blocked shots.

Red Sox 12, Angels 1: Tim Wakefield allowed five hits in seven innings for his first win of the season and Roo Karkovice homered as Chicago beat Minnesota in Minneapolis.

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Red Sox 12, Angels 1: Tim Wakefield

SPORTS

As Another French Open Begins, There's Bruguera, Lurking in the Wings

By Christopher Clarey
Special to the Herald Tribune

PARIS — Some little boys looking for tennis heroes in the late 1970s preferred the fiery personality and flat strokes of Jimmy Connors; some the swarthy charm of Guillermo Vilas; others the brash attacking game of the young John McEnroe.

Sergi Bruguera, not yet 10 years old, cast his lot with Bjorn Borg. Bruguera admired the Swede's unflappable temperament and his patience and cunning from the baseline. Above all, he admired him because Borg was the person dominating the tournament that was on Bruguera's television screen in late May and early June.

Forget Borg's five consecutive Wimbles-

don victories on grass. What mattered to the skinny only child of a tennis coach were those six French Open titles on red clay, including four straight from 1978 to 1981.

Clay, after all, was the only surface Bruguera grew up with: first in Valencia, where he lived on the grounds of the club run by his father, Luis; and then in Barcelona, where Luis returned in 1980. Clay — crushed red brick, to be precise — was the substance that stained Sergi's shoes, climbed up his socks and got under his skin. And when, in his early teens, he made his first trip to Stade Roland Garros, he stood below the hulling-shaped Court 1 and stared up at the names of the former champions etched into the cement.

There was Manuel Santana, the first

Spaniard to win the French, in 1961, and then in 1964. And Andres Gimeno, his father's golfing buddy, who won for Spain again in 1972. Most of all, there was Borg. "I was thinking I would like to have my name up there, too," Bruguera said.

He would get his wish, but despite two consecutive victories, he is still staring up at Borg. Nine men have won back-to-back French championships. Only Borg was able to push the envelope further.

For the next two weeks, it is Bruguera's turn to try. At age 24, he is certainly one of the favorites at the tournament French and Spaniards both refer to as "Roland Garros." The surprising thing is that he is not the favorite, but then Bruguera and circumstance have a way of conspiring to deflect attention in other directions.

Exuberant and friendly in private, Bruguera's public persona is about as bland as an eclair without chocolate. On tour, he has learned to rein in a temper that caused him considerable trouble as a junior, and though he can be all Latin fire and brimstone on the practice court, he is more Swede than Spaniard in temperament once inside a stadium.

In 1993, when he won here the first time, the focus during the tournament was on world No. 1 Jim Courier, who looked certain to sweep to his third straight title. Bruguera snuffed out those hopes in a grueling and memorable five-set final in which he showed no signs of stage fright.

For Manuel Orantes, the former U.S.

Open champion who is a close friend of the family, what separates Bruguera from the pack is his taste for risk: a trait that also

bubbles up in his private life, where he has tried everything from shooting rapids to marlin fishing to hang-glider jumping.

"He is not an orthodox guy who follows the rules; he likes to bend them," Orantes said. "Normally he will go for the most difficult and unexpected shot in the book, especially in a very tight position on passing shots."

But despite that talent, despite his heavy forehand, improving serve and remarkable capacity to cover court, Bruguera remains less than the talk of the town in the city of light and obnoxious drivers. A year ago, he arrived seeded sixth, having not won a tournament all spring, and quietly went to work as the tennis community focused on Pete Sampras. Bruguera ended up losing one set in seven matches.

This year, he is seeded seventh, having missed nearly two months with a sprained left knee. Again the focus is elsewhere: on Andre Agassi and on Thomas Muster, who has yet to lose on clay this season.

But Agassi, wiped out by Bruguera in Hamburg earlier this month, and every other player in the draw are well aware that the Spaniard is gathering strength. In his last three tournaments, he reached the quarterfinals, the semifinals and then, in Rome two weeks ago, the final. His knee is bothering him little and his confidence, never his soft spot on clay, is growing.

"My preparation is completely different this year because of the injury," he said. "But I think I'm much better off than I thought I would be at this point."

Borg is waiting.

SCOREBOARD**Major League Standings**

AMERICAN LEAGUE East Division					
W	L	Pct.	G	GB	GB
Boston	17	.500	100	10	0
Detroit	14	.455	97	10	3
New York	12	.442	92	0	2
Toronto	12	.442	92	0	2
Baltimore	11	.437	90	0	4
Central Division					
Cleveland	17	.500	107	0	0
Kansas City	12	.442	94	0	3
Minnesota	12	.442	94	0	3
Chicago	9	.390	89	0	6
Milwaukee	9	.390	89	0	6
West Division					
California	18	.511	107	0	0
Oakland	14	.492	93	0	2
Texas	14	.492	93	0	2
Seattle	13	.488	93	0	3
NATIONAL LEAGUE East Division					
Philadelphia	21	.7	105	0	0
Atlanta	12	.500	94	0	5
Montreal	12	.500	94	0	5
New York	11	.490	91	0	8
Florida	7	.211	50	0	14
Central Division					
Chicago	10	.444	91	0	1
Cincinnati	14	.400	87	0	4
Houston	14	.400	87	0	4
Pittsburgh	12	.444	87	0	6
St. Louis	12	.444	87	0	6
West Division					
Colorado	14	.517	108	0	0
San Francisco	15	.500	108	0	0
Los Angeles	13	.448	97	0	1
San Diego	12	.414	93	0	3

Friday's Line Scores

AMERICAN LEAGUE					
Team	W	L	GB	W-L	Pct.
Texas	301	611	0.442	12	2
Minnesota	298	609	0.440	12	2
Tekwsky, McDowell (7), Russell (9) and Rodriguez, Tolson, Steiner (6) and Westbeck (7) vs. 1st, L.-Herrera (1), S. Russell (5), Mts., Texas, W. Clark (1), Tellefson (7).					
Calgary	216	601	0.442	12	2
Detroit	210	601	0.442	12	2
Atlanta	210	601	0.442	12	2
Montreal	209	601	0.442	12	2
New York	208	601	0.442	12	2
Florida	207	601	0.442	12	2
Central Division					
Chicago	10	59	0.442	12	2
Cincinnati	14	59	0.442	12	2
Houston	14	59	0.442	12	2
Pittsburgh	12	59	0.442	12	2
St. Louis	12	59	0.442	12	2
West Division					
Colorado	14	59	0.442	12	2
San Francisco	15	59	0.442	12	2
Los Angeles	13	59	0.442	12	2
San Diego	12	59	0.442	12	2
NATIONAL LINEAR					
AMERICAN LEAGUE					
Texas	301	611	0.442	12	2
Minnesota	298	609	0.440	12	2
Tekwsky, McDowell (7), Russell (9) and Rodriguez, Tolson, Steiner (6) and Westbeck (7) vs. 1st, L.-Herrera (1), S. Russell (5), Mts., Texas, W. Clark (1), Tellefson (7).					
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Montreal	209	601	0.442	12	2
New York	208	601	0.442	12	2
Florida	207	601	0.442	12	2
Central Division					
Chicago	10	59	0.442	12	2
Cincinnati	14	59	0.442	12	2
Houston	14	59	0.442	12	2
Pittsburgh	12	59	0.442	12	2
St. Louis	12	59	0.442	12	2
West Division					
Colorado	14	59	0.442	12	2
San Francisco	15	59	0.442	12	2
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NATIONAL LEAGUE

AMERICAN LEAGUE

PEANUTS

DENNIS THE MENACE

DOONESBURY

MONDAY, MAY 29, 1995

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Japan: Inflated Hope Schumacher Easily Wins Again, With Hill 2d in Monaco And the Welsh Leak

By Ian Thomsen
International Herald Tribune

BLOEMFONTEIN, South Africa — The score was 57-10. Over the last four years the Japanese had been able to convince themselves that they had overcome their shortcomings and their tragedies. They had very little going for them in this game, but they were going to do what they could and do it better than the bigger and stronger teams with more experience.

There was talk of the high, thin air and the hard South African grounds would help the quicker team. At the very least, they were not going to be overwhelmed any longer. Then on Saturday, it was Wales 57, Japan 10.

"Probably what misled us from the beginning was our win against Romania," said Shiggy Konno, the wise man of Japanese rugby, noting his team's 34-21 victory over Romania before the World Cup. "After that game we thought we had some chances. Yes, we are disappointed, but there are two who

those two, against Ireland and New Zealand, figure to be even harder. They believed they could upset Wales, which was winless in the Five Nations Championship and had changed management just two months ago with no warmup matches before this tournament. The Japanese should not be criticized for their assumptions. The disaster of the outcome is, in fact, proof of their spirit.

The leading club in Japanese rugby for the last seven years has been Kobe Steel. It is the home club for all but two of the Japanese backs. Last year, neighbors and friends ran to the home of the Japanese vice captain, fly-half Seiji Hirao, to pull his wife from the rubble of the earthquake that killed 5,000 people and left 300,000 more homeless. None of the players or their families were injured, but that didn't absolve them of misery.

The disaster of the earthquake was much bigger than if you looked at it on TV," Konno said. "If you would go to see it yourself, you would be surprised. It did affect our team somewhat. The Kobe Steel ground was in shambles and they couldn't use this ground for practice."

He turned and spoke momentarily to Hirao in Japanese. "They still can't use their ground," Konno said. "There was a lot of damage to the dormitories. Many of the players' relatives needed assistance. It was quite an emotional thing in a way that perhaps doesn't show up on TV or in the news papers."

And yet it was not the ready excuse that it would have been, and rightly so, for so many other teams or countries. Neither is it true that the players are so celebrated and rich as to be ushered away from such trauma. The game has only just begun to attract major sponsors in Japan. The rugby players are generally not idols. They can't practice whenever they want, having to share most of the playing fields with teams in other sports. Professional baseball

and soccer burst ahead in popularity after rugby had lain dormant during World War II. The larger Japanese athletes, the ones who would have helped against Wales, are lured by the money and prestige of sumo wrestling; no doubt basketball is growing in eminence.

Rugby is based largely in the universities, where it is played in the original, amateur spirit. It was introduced by the British more than a century ago. Even now, at the height of Japan's economic power, the modern realities of travel are unknown: the country is out of the way for teams touring Australia or New Zealand.

So the players are too small, the country is isolated geographically and lacking in facilities, the earthquake decimated the sport's nerve center ... and still the Japanese believed they could win. In the meantime, Wales was sending out its biggest, strongest team.

The Welsh were piercing the right flank from the opening minutes. It was 3-0, 6-0; the Japanese kicker Terunori Masuho, from Kobe, was missing two penalties of his own, 9-0. A loose ball that the 1.58-meter scrumhalf Masami Horikoshi failed to kick out of touch, and Andy Moore fell on it for the first try: 16-0. Moore's strength and power had won him selection ahead of the world-renowned scrumhalf Robert Langer.

There would be four more Welsh tries before the Japanese could respond. They were dying in the mauls, which were scizzored by Wales' tallest player ever, the 2.12-meter Derwyn Jones, a policeman. The tallest Japanese was the 1.93-meter lock Bruce Ferguson, who was recruited from Fiji.

"In set play we won 20 lineouts, they won 13, so we're ahead already," said the sympathetic Wales coach, Alex Evans, who had worked as a consultant for Kobe Steel as recently as 1992. "Then Japan tried to run the ball, and certainly with ball in hand they were very good, but they also turned the ball over quite a bit, which gave us the advantage in the scrum, the advantage in set plays — it was like they were behind all the time, trying to play catch-up rugby."

It would be 36-0 at the half. It would be 43-0 when, with less than a quarter remaining, the crowd of more than 20,000 would light up for the first time. Lopeti Otu, one of the team's three large Tongans, flopped over with the first try for Japan.

He scored one more, on the final play. The crowd made a happy, Charlie Chaplin roar and got up to leave. The Welsh, buoyed by such easy success, immediately began talking about upsetting New Zealand on Wednesday. They congratulated 20-year-old Gareth Thomas, sooner of three tries in what was his — as well as Moore's — first international. The Japanese, meanwhile, glanced back at the scoreboard as if it were their own wrecked bus. 57-10.

Konno thought about all of this and said, "I think we did better in the second half." After all, there are two games left.



David Coulthard's Williams-Renault took flight from a first-turn crash with the Ferraris of Jean Alesi and Gerhard Berger.

Langer Tied For Lead in British PGA

Reuters

WENTWORTH, England — Bernhard Langer bogeyed the last hole Sunday after a wild second shot and dropped back into a share of the third-round lead in the British PGA Championship.

His 4-under-par 68 on Wentworth's West Course left him tied with Mark Mouland of Wales heading into Monday's final round. Mouland carded a day's-best 65 to match Langer after 20 holes.

Per-Ulrik Johansson of Sweden stormed into contention with birdies on the last four holes for a 69 that put him at 209 and tied with Andrew Sherborne of England, who shot 72.

Nick Faldo and José María Canizares, playing partners for the day, were on 6 under matching rounds of 71.

Langer, who set a record on Friday by surviving the halfway cut for the 57th successive European Tour event, played a solid round until blocked his second shot at the at the 501-yard closing hole and the ball struck a tree, then landed under a rhododendron bush.

With little backswing, he could only chip into rough. His pitch from 55 yards finished seven feet from the hole and he missed the putt.

World Cup Notebook: Danaher Replacing Staples for Irish

Compiled by Our Staff From Dispatches

Former Irish captain Philip Danaher will replace injured fullback Jim Staples for the rest of the World Cup. Staples broke a bone in his left hand during a mid-air collision with All Black wing Jeff Wilson late in the first half; center Danaher originally pulled out of the squad because of business commitments, but agreed to fly out to South Africa after a telephone call from the manager, Noel Murphy. Australian number eight Troy Coker pulled a hamstring during training Sunday and may not be able to play again in the tournament, the Wallabies' coach, Bob Dwyer said. Coker will definitely miss Wednesday's match against Canada, with his place taken by Tim Gavin. Romania has left

both its first-choice halfbacks, Daniel Neaga and Neculai Nichitean, off the team for Tuesday's match against South Africa; each had a knee injured during the loss to Canada. They will be replaced by Vasile Flutur and Ilie Ivanciu, while injured forwards Tiberiu Brinza, Sandu Cioras and Gherghie Leonte have all been named to the side after being rated doubtful with shoulder, ankle and neck injuries, respectively. Tonga sent home Felei Mahoni, the first player expelled from this World Cup, even though team officials insisted he was innocent of the stomping on French flank Philippe Benetton. A team spokesman said another player, so far unidentified, had admitted he stepped on Benetton but said it was unintentional.

(AP, Reuters)

World Cup Standings

FIRST ROUND

Team	GP	W	D	L	PF	PA	PB
South Africa	1	1	0	0	27	19	3
Canada	1	1	0	0	24	13	3
Australia	1	0	0	1	18	27	3
Romania	1	0	0	1	3	31	1
Team	GP	W	D	L	PF	PA	PB
West Samoa	1	1	0	0	42	18	3
England	1	1	0	0	37	19	3
Argentina	1	0	0	1	16	21	1
Italy	1	0	0	1	10	37	1
Team	GP	W	D	L	PF	PA	PB
New Zealand	1	1	0	0	57	19	3
Ireland	1	0	0	1	19	42	3
Japan	1	0	0	1	10	37	1
Team	GP	W	D	L	PF	PA	PB
Western Samoa	42	42	0	0	89	10	3
England	42	42	0	0	89	10	3
Argentina	42	42	0	0	89	10	3
Italy	42	42	0	0	89	10	3
New Zealand	42	42	0	0	89	10	3
Ireland	42	42	0	0	89	10	3
Japan	42	42	0	0	89	10	3
Team	GP	W	D	L	PF	PA	PB
New Zealand	43	43	0	0	122	12	19
England	43	43	0	0	122	12	19
Argentina	43	43	0	0	122	12	19
Italy	43	43	0	0	122	12	19
New Zealand	43	43	0	0	122	12	19
Ireland	43	43	0	0	122	12	19
Japan	43	43	0	0	122	12	19
Team	GP	W	D	L	PF	PA	PB
New Zealand	44	44	0	0	122	12	19
England	44	44	0	0	122	12	19
Argentina	44	44	0	0	122	12	19
Italy	44	44	0	0	122	12	19
New Zealand	44	44	0	0	122	12	19
Ireland	44	44	0	0	122	12	19
Japan	44	44	0	0	122	12	19
Team	GP	W	D	L	PF	PA	PB
New Zealand	45	45	0	0	122	12	19
England	45	45	0	0	122	12	19
Argentina	45	45	0	0	122	12	19
Italy	45	45	0	0	122	12	19
New Zealand	45	45	0	0	122	12	19
Ireland	45	45	0	0	122	12	19
Japan	45	45	0	0	122	12	19
Team	GP	W	D	L	PF	PA	PB
New Zealand	46	46	0	0	122	12	19
England	46	46	0	0	122	12	19
Argentina	46	46	0	0	122	12	19
Italy	46	46	0	0	122	12	19
New Zealand	46	46	0	0	122	12	19
Ireland	46	46	0	0	122	12	19
Japan	46	46	0	0	122	12	19
Team	GP	W	D	L	PF	PA	PB
New Zealand	47	47	0	0	122	12	19
England	47	47	0	0	122	12	19
Argentina	47	47	0	0	122	12	19
Italy	47	47	0	0	122	12	19
New Zealand	47	47	0	0	122	12	19
Ireland	47	47	0	0	122	12	19
Japan	47	47	0	0	122	12	19
Team	GP	W	D	L	PF	PA	PB
New Zealand	48	48	0	0	122	12	19
England	48	48	0	0	122	12	19
Argentina							

